



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before

Mahboob Ahmad
Additional Director/
Head of Wing

In the Matter of

Dewan Mushtaq Textile Mills Limited

Number and Date of SCN: No. CSD/ARN/206/2015-192 dated April 4, 2024

Hearing Dates: July 26, 2024

Present: Mr. Muhammad Hanif German, Company Secretary

ORDER

Under Section 237 of the Companies Act, 2017 and Section 479 thereof

This order shall dispose of the proceedings initiated through Show Cause Notice No. No.CSD/ARN/206/2015-192 dated April 4, 2024 (**the SCN**) issued under Section 237 of the Companies Act, 2017 (**the Act**) read with Section 479 thereof and Circular No. 11 of 2023 against the Board of Directors and the Chief Financial Officer (**CFO**), hereinafter collectively referred to as **the Respondents**, of Dewan Mushtaq Textile Mills Limited (**the Company**).

2. The brief facts of the case are that the Company failed to prepare and file/transmit through e-Services with the Registrar/Securities and Exchange of Pakistan (**the Commission**) its Quarterly Financial Statements (**QFS**) for the following period within the stipulated time pursuant to Section 237 of the Act read with Circular No. 11 of 2023 (**the Circular**):

Sr. #	Period ended	Transmission due on
1	September 30, 2023	October 30, 2023

3. The QFS for the said period were also not posted on the website of the Company. The Respondents, *prima facie*, contravened the provisions of Section 237 of the Act and the Circular by failing to prepare and file/transmit the aforesaid QFS through e-Services with the Registrar/Commission, and by not posting the same on the website of the Company within the stipulated time. Consequently, the SCN was issued to the Respondents to show cause in writing within fourteen days as to why penal action may not be taken against them for non-compliance of Section 237 of the Act. However, no reply was received within the allocated time. Thereafter, the Company Secretary through letter dated June 28, 2024, *inter alia*, submitted in the following manner:



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- In letter dated March 6, 2024, it was informed that the Company was facing unforeseen data related technical issues which prevented from timely finalizing of the financial statements for the year ended June 30, 2023. Due to the reason the AGM for the year 2023 was not held on time.
- The Company is committed to convene the AGM of the Company after resolving the said problem and getting the relevant financial statements audited. It is sincerely apologized for the inconvenience caused.
- The holding of board meeting and convening of the overdue AGM of 2023 shall take place before the end of August.
- The compliance with the quarterly filing requirements under Section 237 of the Act is ensured to be complied as soon as the annual financial statements are approved by the members in the AGM.
- It is committed to rectify the situation and adhering to the regulations set forth by the Commission. It is humbly requested to kindly take a lenient view.

4. In order to afford the Respondents, an opportunity of personal representation, the matter was fixed for hearing to be held on May 10, 2024. The matter was, however, later fixed for July 26, 2024. On the date of hearing, Mr. Muhammad Hanif German, Company Secretary, appeared as the Authorized Representative. He reiterated the stance as was given in writing through letter dated June 28, 2024.

5. The following questions are relevant to be addressed in the instant matter:

- (i) Whether it is statutory obligation to timely file/transmit the QFS?
- (ii) Whether the QFS is a key source of information for the stakeholders?
- (iii) Whether the Respondents have admitted the default?

6. I have analyzed the facts of the case, relevant legal provisions, and the arguments put forth during the course of the hearing as well as the written correspondence made. In this regard, it is observed that:

(i) **Whether it is statutory obligation to timely file/transmit the QFS?**

The provisions of Section 237 are unambiguous and explicit. The timing of the QFS is of essence and the disclosure requirements of the QFS have been kept to a bare minimum. The QFS prepared in a timely manner not only provide to its users a reliable source of information regarding the Company's financial position and performance but also shows the results of the management's stewardship of resources entrusted on to it. In order to ensure compliance, the Respondents have fiduciary duty to ensure that the Company meticulously adheres to the law for preparation and filing/transmission of the QFS in a timely manner. Moreover, the Respondents are required to post the QFS on the website of the Company. In this context, the Respondents cannot absolve themselves from their statutory duties pertaining to preparation and filing/transmission of the QFS in a timely manner as stipulated under the Act read with the Circular.



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I have observed that the QFS for the period ended September 30, 2023 are overdue till date. The Respondents are of the view that the QFS are connected with the preceding annual audited accounts for the year ended June 30, 2023. The Respondents further submitted that the board meeting for approval of annual audited financial statements for the year ended June 30, 2023 be held in August, 2024. In this regard, I am of the view that in terms of the provisions of Section 237 of the Act read with the Circular, a listed company is required to file/ transmit its QFS within the stipulated time. In the instant matter, a considerable delay has already been noticed in filing/ transmission of the QFS for the period ended September 30, 2023 and the Respondents are still uncertain with respect to date of filing/ transmission of the aforesaid QFS. I am, therefore, of the view that violation of the provisions of Section 237 of the Act is attracted.

(ii) **Whether the QFS is a key source of information for the stakeholders?**

The preparation and transmission of the QFS within the stipulated timeframe rests with the Respondents. In this context, perusal of Company's records transpires that they failed to prepare and file/transmit the Company's QFS for the period ended on September 30, 2023. In this regard, I am of the view that the Respondents have deprived the shareholders to receive QFS of the Company within the stipulated time as provided in the Act.

(iii) **Whether the Respondents have admitted the default?**

The Respondents have admitted the default of not filing/ transmission of its aforesaid QFS as provided in Section 237 of the Act. In legal terms, an admission of default does not absolve them from further consequences or liabilities, therefore, they are liable for penal action in terms of Section 237 of the Act.

7. In view of above, I have come to the conclusion that the afore-said provisions of the Act have been violated and it renders the Respondents liable to penal action in terms of Section 237 of the Act as a result of failing to prepare and file/ transmit for the Company's QFS for the period ended September 30, 2023 within the stipulated timeframe and by not posting the same on the Company's website. Therefore, in exercise of powers conferred under sub-section (4) of Section 237 of the Act, I hereby impose an aggregate penalty of Rs. 120,000/- (Rupees One Hundred and Twenty Thousand only) on the Respondents in the following manner:

S. No.	Names of the Respondents	Amount of the Penalties (Rs.)
1	Mr. Ishtiaq Ahmed, Chief Executive	15,000/-
2	Syed Maqbool Ali, Director	15,000/-
3	Mr. Mehmood-ul-Hassan Asghar, Director	15,000/-
4	Mr. Aziz-ul-Haque, Director	15,000/-
5	Mr. Waseem-ul-Haq Ansari, Director	15,000/-
6	Mr. Ghazanfar Baber Siddiqi, Director	15,000/-
7	Ms. Nida Jamil, Director	15,000/-
8	Mr. Muhammad Irfan Ali, CFO	15,000/-
Total		120,000/-



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8. The aforementioned penalties must be deposited in the designated bank account maintained with MCB Bank Limited or United Bank Limited in the name of the *Securities and Exchange Commission of Pakistan* within thirty (30) days from the receipt of this Order, and duly deposited bank challan shall be furnished to the Commission. In case of non-deposit of the penalties, proceedings for recovery under Section 485 of the Act as arrears of land revenue will be initiated. It may also be noted that the penalty has been imposed on the Respondents in their personal capacity; therefore, they are required to pay the said amount from personal resources.

9. Nothing in this Order may be deemed to prejudice the operation of any provisions of the Act providing for imposition of penalties on Respondents in respect of any default, omission or violation thereof.

Mahboob Ahmad

Additional Director/ Head of Wing
Listed Companies Wing,

Announced: July 30, 2024
Islamabad