



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I Adjudication Division

ORDER	
Name of Company	M/s. Mohammad Farooq Textile Mills Limited
Number and Date of Show Cause Notice	CSD/ARN/181/2015-765 dated December 24, 2024
Respondents	(i) Ms. Sabiha Sumar, Chief Executive Officer/Director; (ii) Mr. Mohammad Farooq Sumar, Director; (iii) Mr. Mohammad Mukhtar, Director; (iv) Mr. Muhammad Salman Hussain Chawla, Director; (v) Ms. Faiza Imran Ahmad, Director; (vi) Mrs. Naheed Mukhrar Sumar, Director; (vii) Mr. Shahbaz Sumar; and (viii) M/s. Mohammad Farooq Textile Mills Limited.
Date(s) of Hearing(s)	(i) January 23, 2025; and (ii) March 11, 2025
Case Represented By	(i) Ms. Faiza Imran Ahmad (ii) Mr. Muhammad Salman Hussain Chawla (Representing in respective personal capacities) <i>No one appeared on behalf of Respondent No. (i), (ii), (iii), (vi), (vii) and (viii)</i>
Provision of Law Involved	Section 132 of the Companies Act, 2017 read with Section 479 thereof
Order dated:	June 04, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (**the Commission**) against M/s. Mohammad Farooq Textile Mills Limited (**the Company**), its Board of Directors (**BOD**) and the Company Secretary, hereinafter collectively referred to as **Respondents** through Show Cause Notice CSD/ARN/181/2015-765 dated December 24, 2024 (**SCN**) issued under Section 132 of the Companies Act, 2017 (**the Act**) read with Section 479 thereof.

2. The brief facts of the case are that from perusal of the relevant record of the Commission, it was revealed that the Respondents failed to hold the Annual General Meeting of the Company for the Financial Year ended June 30, 2024 (**AGM**) within a period of one hundred and twenty (120) days following the closure of its afore-stated Financial Year, as required under sub-section (1) of Section 132 of the Act. The relevant provisions of law relating to the instant matter are reproduced hereunder:

"132. Annual general meeting.—(1) Every company, shall hold, an annual general meeting within sixteen months from the date of its incorporation and thereafter once in every calendar year within a period of one hundred and twenty days following the close of its financial year...

(5) Any contravention or default in complying with requirement of this section shall be an offence liable— (a) in case of a listed company, to a penalty of level 2 on the standard scale..."

3. While taking cognizance of the said contravention, SCN was issued to the Respondents to show cause in writing as to why penal action may not be taken against them for non-compliance with the provisions of Section 132 of the Act. In response, Respondent No (iv), i.e., *Mr. Muhammad Salman Hussain Chawla* and

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Respondent No (v) i.e., *Ms. Faiza Imran Ahmad* vide their emails dated December 30, 2024 and January 19, 2025, submitted that they had already resigned from the BOD of the Company w.e.f. March 03, 2014 and October 10, 2017, respectively. Moreover, no response was received from or on behalf of the rest of the Respondents (the '**Remaining Respondents**') within the stipulated time.

4. In order to provide an opportunity for personal representation, a hearing in the matter was first fixed for January 23, 2025, where Respondent No (iv) and Respondent No (v) appeared in their respective personal capacities and submitted that they had resigned from the BOD of the Company on March 03, 2014 and October 10, 2017 respectively and requested that the proceeding with respect to the instant SCN may be dropped against them accordingly while also furnishing the evidence to support their respective resignations. Moreover, no one appeared on behalf of the Remaining Respondents nor was there any adjournment sought.

5. Subsequently, to meet the ends of justice and to provide a final opportunity for personal representation to the Remaining Respondents, a hearing in the matter was fixed for March 11, 2025, with clear advice that in case of non-appearance, the matter would be decided *ex-parte* based on the records available with the Commission and on its merits. Yet again no one appeared on behalf of the Remaining Respondents. It is pertinent to observe for the record that for all the aforementioned hearings, the notices were duly issued at the registered address of the Company as well as the personal addresses of the Respondents as per record available with the relevant Company Registration Office (CRO) of the Commission.

6. I have gone through the relevant provisions of Section 132(1) of the Act, and considered the facts of the case, available record of the Company, as well as written and verbal submissions of the Respondents No iv and v. I have also perused Section 132(5) of the Act, which stipulates penal provisions for contravention of the afore-referred provisions of law. It is observed that in terms of Section 132(1) of the Act, every company is required to hold its AGM once in every calendar year within a period of one hundred and twenty (120) days following the close of its financial year. Accordingly, the Company was obligated to hold its AGM for the financial year 2023-24 by October 28, 2024, which it has evidently failed to do. The holding of AGMs in a timely manner is a crucial legal requirement that ensures transparency, accountability, and shareholder engagement. It allows shareholders to participate in discussions, approve financial statements, and hold management accountable. Adhering to legal provisions under the Act is essential for protecting shareholders' rights, fostering trust, and promoting good corporate governance. A listed company must meet its statutory duties to hold AGMs on time, facilitating open communication and feedback from its shareholders, regardless of the status of its operations. The Company is required to meticulously adhere to the provisions of law as prescribed under the Act for holding of AGMs and the Respondents, in any manner whatsoever, cannot absolve themselves from their statutory duties pertaining to holding of AGMs, in a timely manner. In a judgment passed by the Appellate Bench of the Commission in the matter of *Gulistan Spinning Mills Limited vs. Director/HoD Adjudication-I* (Appeal No. 71 of 2022), it was held that "*A public listed company has a higher responsibility to disseminate a true and accurate state of affairs to all the stakeholders by holding the AGM within the stipulated time so that appropriate and timely decisions are made. Therefore, the Company, the BoD and Company Secretary should have conducted the AGM as per the applicable legal framework.*"

7. It is also pertinent to observe that the record of the Company maintained at the CRO Karachi of the Commission also reveals that the Company has not filed any statutory returns evidencing holding of the AGM under question as per the requirements of law. Moreover, a winding-up sanction order has also been passed against the Company on August 04, 2016, owing to the cessation of its operations since October 2010. However, it is highly apt to observe that in light of the clear provision of Section 387 of the Act, such sanction does not exonerate the Company and its Board of Directors from continuing to hold its general meetings and meeting other regulatory compliance, which would allow members to be informed about the current situation, especially where the company is unable to revive its operations for a long time.

8. Furthermore, as per available records, the Company also failed to hold its AGM for the year 2018 and 2019 for which penal actions were taken vide two separate orders dated October 29, 2021. It is also pertinent to observe that the Company also failed to hold AGM in the subsequent years (*last announcement of the*

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Company's board meeting on Pakistan Stock Exchange's website is from the year 2017) which unfortunately demonstrates a complete inability of the Company to adhere to the regulatory requirements.

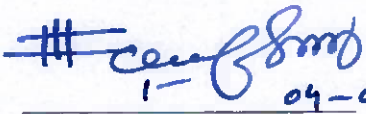
9. Furthermore, it is important to note that despite multiple hearing opportunities, the Remaining Respondents i.e. Respondents No (i), (ii), (iii), (vi), (vii) & (viii), failed to participate in the proceedings or submit any response regarding non-compliance; thereby reflecting their non-cooperative behaviour in the matter. Therefore, I am left with no other option except to pass an *ex-parte* order against the Remaining Respondents in the subject proceedings on the basis of available record with this office and the merits.

10. In view of the preceding facts, I am of the considered view that by failing to hold AGM for the year ended June 30, 2024 within the prescribed timeline, the contravention with the requirements of sub-section (1) of Section 132 of the Act has been established beyond doubt which attracts penal action in terms of sub-section (5) of Section 132 of the Act. It is also pertinent to note that the Company is already subject to winding up proceedings which are pending with Hon. Sindh High Court. I, therefore, in exercise of the powers conferred upon me under clause (a) of sub-section (5) of Section 132 of the Act read with section 479 vide S.R.O. 1545(1)/2019 dated December 06, 2019, hereby, conclude the proceedings with a strong **CENSURE** to the Remaining Respondents and an aggregate penalty of **Rs.70,000/- (Rupees Seventy Thousand only)** in the following manner:

S.No.	Name of Respondents	Penalty Amount
1.	Ms. Sabiha Sumar	10,000
2.	Mr. Mohammad Farooq Sumar	10,000
3.	Mr. Mohammad Mukhtar	10,000
4.	Mrs. Naheed Mukhrrar Sumar	10,000
5.	Mr. Shahbaz Sumar	10,000
6.	M/s. Mohammad Farooq Textile Mills Limited	20,000
	Total Amount	70,000

11. Furthermore, in light of the sufficient evidence submitted confirming that Respondents No (iv) and (v), i.e. Mr. Muhammad Salman Hussain Chawla and Ms. Faiza Imran Ahmad had resigned prior to the occurrence of the aforementioned violation, proceedings against them are being dropped in the instant matter without any adverse action.

12. The Remaining Respondents are, hereby, also directed to deposit the aforesaid amount of penalty in the designated bank account maintained in the name of the Commission with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and to furnish a receipted bank challan to the Commission forthwith. In case of failure to deposit the penalty, the proceedings under Section 485 of the Act will be initiated for recovery of the fines as arrears of land revenue pursuant to provision of Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997.


04-06-2025
(Sohail Qadri)
Director/ Head of Department
Adjudication Department-I

Announced:
Dated: June 04, 2025
Islamabad

