



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department- I

### Adjudication Division

Before

Mahboob Ahmad – Additional Director/Head of Wing

*In the Matter of*

**Hira Textile Mills Limited**

Number and Date of SCN: CSD/ARN/532/2018-185 dated March 28, 2024  
Date of Hearing: May 03, 2024  
Present: Mr. Imran Bashir – Rizwan & Co., Chartered Accountants  
(Authorized Representative)

### ORDER

#### UNDER SECTION 237 READ WITH SECTION 479 OF THE COMPANIES ACT, 2017

This Order shall dispose of the proceedings initiated against the Board of Directors including the chief executive and chief financial officer (collectively referred to as the **Respondents**) of Hira Textile Mills Limited (**the Company**) through Show Cause Notice (**the SCN**) dated March 28, 2024 issued under Section 237 read with Section 479 of the Companies Act, 2017 (**the Act**):

2. Brief facts of the case are that the Respondents failed to prepare and file/transmit through eServices with the Registrar/Commission, its Quarterly Financial Statements (QFS) for the following periods within the stipulated time:

S.No.	Period ended	Due on
1	September 30, 2023	October 30, 2023
2	December 31, 2023	February 29, 2024

3. The QFS for the above said periods were also not posted on the Company's website. The Respondents, hence, *prima facie*, contravened the provisions of Section 237 of the Act read with the Commission's Circular No. 11 dated August 11, 2023 (**the Circular**) by failing to prepare and file/transmit through eServices with the Registrar/Commission the afore-mentioned QFS.

4. In taking cognizance of the matter, SCN was issued to Respondents to show cause in writing as to why penal action may not be taken against them for non-compliance of Section 237 of the Act.

The Respondents inter alia submitted the following response to the SCN through their authorized representative vide letter dated May 2, 2024:

- The Company has been facing various challenges including change in management and financial distress and abrupt resignation by the CFO, adversely affected the Company's ability to ensure regulatory compliances;
- Audit delayed due to non-payment of Auditors' fees.
- Company making best efforts to revive its operations and hopeful of a smooth turnaround.
- Currently in the process of finalizing past due QFS for period ended December 31, 2022, March 31, 2023 and annual accounts for year ended June 30, 2023. Thereafter, the Company shall be in a position to disseminate QFS for period ended September 30 2023, December 31, 2023 to members, Registrar, PSX.



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- It is aimed to carry our business in the most transparent manner whilst complying with all regulatory requirements and will continue to abide by all regulations of the Commission.

5. Hearing in the matter was held before the undersigned on May 3, 2024 wherein Mr. Imran Bashir, Partner, Rizwan & Company, Chartered Accountants appeared on behalf of the Respondents as their Authorized Representative (**the Representative**).

Over the course of hearing, the Representative reiterated the Respondents' written stance earlier submitted in response to the SCN vide letter dated May 2, 2024 asserting that the audit was delayed due to persisting issues with the auditors as a result of failing to pay their fees. The Representative further stated that during the final quarter of Financial Year 2022, the Company laid off most of its key personnel resulting in suspension of Company operations leaving it in dire straits lacking any liquid funds to support expenditures. The Company's operations were also disrupted due to the sudden resignation of its CFO.

The Representative further stated that presently the Company is in the process of finalizing its past due QFS for periods ended December 31, 2022, March 31, 2023 and financial statements for the year ended June 30, 2023; once these financial statements are finalized and filed, the Company will be in a position to prepare and disseminate its QFS for the periods ended September 30, 2023, December 31, 2023.

In conclusion, the Representative admitted the default whilst requested for taking a lenient view in the matter by considering the afore-narrated facts, giving a binding assurance of future adherence to all the statutory obligations on behalf of the Respondents.

6. Before proceeding further, it is necessary to advert to the relevant provisions of the law:

Sub-section (1) of Section 237 of the Act read with the Circular entails:

1) Every listed company shall prepare quarterly financial statements within a period of: -

- a) thirty days from the close of first and third quarters of its year of accounts; and
- b) sixty days from the close of its second quarter of its year of accounts.

2) The quarterly financial statements shall be posted on the company's website for the information of its members and also be transmitted electronically to the Commission, securities exchange and with the registrar within the period specified under sub-section (1).

Sub-section (4) of Section 237 read with Section 479 of the Act stipulates that:

*If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief financial officer of the company who has by his act or omission been the cause of such default shall be liable to a penalty of level 2 on the standard scale.*

7. As regards the matter at hand, I have analyzed the facts of the case, relevant provisions of the Act, the arguments set forth during the hearing and written submission of the Respondents'. At this juncture, it is essential to address the following:



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**a. Whether it is a statutory obligation of listed companies to file/transmit QFS?**

Yes. As per section 237 of the Act, QFS filing is mandatory for listed companies that helps ensure transparency and accountability. Quarterly reporting also ensures the company complies with financial reporting standards and regulations, which is essential for maintaining listing status and avoiding any legal and regulatory issues. The provisions of Section 237 of the Act are unambiguous and explicit. The timing of the QFS is of essence and disclosure requirements of these QFS have been kept to a bare minimum. 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 QFS in a timely manner. 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.

**b. Whether QFS are a key source of information for stakeholders?**

Yes. QFS are a vital source of information for stakeholders, providing critical insights into a company's financial health, performance and trends more frequently. QFS provide stakeholders with up to date financial information every quarter to track the company's performance and make more informed decisions, as well as helping stakeholders assess the company's current situation. The preparation and transmission of QFS within the stipulated time frame rests with the Respondents. In this context, perusal of Company's records transpires that they failed to prepare and file/electronically transmit the Company's QFS for the periods ended September 30, 2023 and December 31, 2023, pursuant to Section 237 of the Act read with the Circular. I am of the considered view that the Respondents have deprived the shareholders of their statutory right to receive QFS of the Company within the stipulated time.

Perusal of Company records reveal that QFS for periods ended September 30, 2023 and December 31, 2023 have not been transmitted to the Commission till date. Hence, the violation of the provisions of Section 237 of the Act read with the Circular is attracted for the cited default.

**c. Whether delay in the audit due to the matter of auditor fees absolves the Company from obligation to file its QFS?**

No. delay in the audit due to non-payment of auditor fees does not absolve the Company from filing its QFS. Listed companies are subject to comply with the financial reporting requirements and continuous disclosure obligations aimed at ensuring transparency and protecting stakeholders. The Reprehensive has not provided any evidence that steps have been taken to comply with the requirement of Section 237 of the Act.

**d. Whether the Company has provided any timeframe for filing its overdue QFS?**

No. The Representative stated that the Company is in the process of finalizing its QFS for periods ended December 31, 2022, March 31, 2023 and annual financial statements for year ended June 30, 2023, completion of which will enable the Company to prepare and disseminate its QFS for the subsequent periods, i.e., periods ended September 30 2023 and December 31, 2023. Pertinently, filing/transmission of QFS for the subject default periods is indeterminate and no definite date for submission of the same has been provided.



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8. In view of the preceding facts, I have come to the conclusion that the pertinent provisions of the statute have been violated which renders the Respondents liable to penal action in terms of Section 237 of the Act read with the Circular, as a result of failing to file/transmit through eServices with the Registrar/Commission the Company's QFS for periods ended September 30, 2023 and December 31, 2023 within the stipulated time.

Therefore, in exercise of powers conferred under sub-section (4) of Section 237 of the Act, I hereby impose penalties on the Respondents as follows:

S.No.	Name of Respondent	Amount in Rupees
1	Mr. Mohammad Tariq - Chief Executive	50,000
2	Ms. Zainab Malik - Director	50,000
3	Dr. Azhar Waheed - Director	50,000
4	Mr. Muhammad Awais Qarni Chaudry - Director	50,000
5	Mr. Muhammad Hasnain Saeed Sohban - Director/CFO	50,000
<b>TOTAL</b>		<b>250,000</b>

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

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

**MAHBOOB AHMAD**

Additional Director/Head of Wing  
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**Announced:**  
June 14, 2024  
Islamabad