



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before

Shahzad Afzal Khan, Director/ Head of Department

In the matter of

Kohat Textile Mills Limited

Show Cause Notice No. & Date CSD/ARN/398/2016-276 dated May 06, 2024
Date of Hearing: June 06, 2024
Present: Mr. Sajjad Hussain, Company Secretary

ORDER

Under Section 510(2) of the Companies Act, 2017 read with the SRO 1196(I)/2019

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (**the Commission**) through Show Cause Notice dated June 06, 2024 (**the SCN**) issued, under Section 510(2) of the Companies Act, 2017 (**the Act**) read with S.R.O. 1196(I)/2019 dated October 03, 2019 (**the SRO**), to Kohat Textile Mills Limited (**the Company**).

2. Brief facts of the case are that:

(i) During the review of the annual audited financial statements for the year ended June 30, 2023 (**the Accounts**) of the Company, it was noted/transpired that:

The Company in its notices of Annual General Meetings (**AGMs**) dated October 04, 2022 and October 06, 2023 for the financial years 2022 and 2023 respectively did not disclose about uploading of annual financial statements for the aforesaid respective years on its website as required by clause 3(a) of the SRO.

(ii) The matter of non-compliance of the above referred requirement was taken up with the Company vide email dated February 21, 2024. In response to which the Company through its letter dated February 29, 2024, *inter alia*, stated that: "The compliance will be ensured with regard to such disclosure in the AGM notices."

(iii) In view of the above, the Company, *prima facie*, has failed to comply with the requirements of clause 3(a) of the SRO in respect of disclosure of availability of financial statements for the years 2022 and 2023 in the respective notices of AGMs for the said years.



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3. In order to take cognizance of the aforesaid contravention, the SCN was served upon the Company seeking justification for not complying with the requirements of the SRO. In response to the SCN, the Company Secretary vide letter dated May 20, 2024 made, *inter alia*, written submission as under:

"1. The Company has consistently and timely circulated its annual audited financial statements to its members along with the notices of Annual General Meetings, making the financial statements available for their review. Moreover, the Company has also regularly posted its annual audited financial statements on its website each year. In support of our claim, we are attaching internal emails dated 04.10.2022 and 06.10.2023 exchanged between the Company Secretary's office and the IT Department, evidencing the process of timely uploading the Company's financial statements for the years 2022 and 2023.

2. Furthermore, while transmitting our annual reports to the PSX, the Company, each and every time, also requested the PSX to circulate this information among all the members that the annual reports were made available on the Company's website. Such communication with the PSX is also published on their website and is publicly accessible. Copies of communications with the PSX dated 04.10.2022 and 06.10.2023 are also attached."

4. In order to provide opportunity of personal representation, hearing in the matter was fixed for June 06, 2024 wherein Mr. Sajjad Hussain, Company Secretary appeared on behalf of the Company as its Authorized Representative (**the Representative**). During the hearing, the Representative was asked to explain the reasons for the alleged non-compliance as outlined in the SCN. The Representative reiterated the written arguments submitted earlier in response to the SCN and admitted that the note regarding uploading of financial statements on the website missed in the AGM notices. However, as stated, the Company consistently circulates its financial statements to its members and regularly posts the same on its website each year. Moreover, the Company also informed Pakistan Stock Exchange (PSX) about availability of annual reports for the years ended 2022 and 2023 on the website vide emails dated October 04, 2022 and October 06, 2023 and also requested PSX to circulate this information. Furthermore, the Representative also assured that in future the Company will comply with all the requirements of the SRO.

5. Relevant provision of the SRO and the Act provides that:

SRO 1196(I)/2019 dated October 03, 2019:

"3. Placement of financial statements

a) Every listed company shall place annual report including financial statements and mandatory reports, at least twenty one days prior to the date of holding of annual general meeting and disclosure of its availability on website shall be given in the notice of annual general meeting disseminated to members of the company."

Section 510 of the Act:

"510. Power to issue directives, circulars, guidelines.—



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- (1) *The Commission may issue such directives, prudential requirements, codes, guidelines, circulars or notifications as are necessary to carry out the purposes of this Act and the rules and regulations made under this Act*
- (2) *Any person, who obstructs or contravenes or does not comply with any directive, prudential requirements, codes, circulars or notifications, given under this section shall be liable to a penalty of level 3 on the standard scale."*

6. I have reviewed the facts of the case, considered the written and verbal submissions made by the Company and the Representative in the light of the applicable legal provisions and available record. In this regard, it is observed that:

- In terms of Clause 3(a) of the SRO, every listed company is required to disclose the availability of financial statements on the Company's website in the notice of the AGM disseminated to the members of the Company. This requirement aims to ensure transparency and accessibility in the dissemination of financial information to shareholders. Additionally, it ensures that shareholders have adequate time to review the financial statements before the AGM.
- The non-compliance of the aforementioned requirement has been observed in the instant matter. The Company did not disclose in the notices of AGMs about the information regarding the uploading of annual financial statements for the years ended 2022 and 2023, on its website, as required by Clause 3(a) of the SRO.
- It has been noted that the Company has circulated its annual audited financial statements for the respective years to its members, ensuring the financial statements are available for their review along with the notices of AGM. Additionally, the Company has posted its annual audited financial statements on its website for the said years (www.kohattextile.com).
- Furthermore, the Company has also informed PSX vide emails dated October 04, 2022 and October 06, 2023, about the availability of financial statements for the respective years on its website and requested the PSX to disseminate the related information. The main content of the emails is as under:
*"We have to inform you that the Annual Report of the Company for the year ended 2022-06-30 and 2023-06-30 have been transmitted through PUCAR and is also available on the Company's website.
You may please inform the TRE certificate Holders of the Exchange accordingly."*
- The Company did not explicitly mention about the availability of financial statements on its website in the notices of the AGMs, however it utilized alternate methods to convey to its members that the annual reports including the financial statements were



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available on its website. These efforts demonstrate that the Company has taken steps to comply with the requirements of the SRO, despite the omission in the AGM notices.

- The Company's annual reports for the year ended June 30, 2022 were uploaded on PSX website on October 4, 2022 and for the year ended June 30, 2023 were uploaded on October 6, 2023 respectively. The aforesaid transpires that the annual reports including the annual audited financial statements were uploaded on the website of the PSX in a timely manner i.e. at least twenty one days prior to the holding of AGMs of 2022 and 2023 respectively.
- There have been no complaints lodged by the members in this regard as per the record available. Moreover, the Representative has also given the assurance that the Company will comply with all the requirements of the law in true letter and spirit in future. Therefore, through the uploading of annual reports including financial statements on the Company and PSX websites, and the dissemination of information through the PSX, demonstrates that the Company has substantially complied with the requirements of clause 3(a) of the SRO for the aforesaid years.

7. Keeping in view that alternate steps were taken for the cited omission of information in the notices of AGMs of 2022 and 2023 and the Respondent also assured to disclose relevant information in future. Therefore, in exercise of the powers conferred upon me under Section 510(2) of the Act read with the SRO, I hereby conclude the instant proceedings with a **warning to the Respondent Company i.e. Kohat Textile Mills Limited**. Moreover, it is advised to disclose in the notice of the AGM about uploading of annual reports including the financial statements on website of the Company in order to ensure meticulous compliance of the applicable requirements of the SRO.

8. This Order is issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with the law(s) on matter subsequently investigated or otherwise brought to the knowledge of the Commission.

Shahzad Afzal Khan

Director/Head of the Department
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Announced:

Dated: June 21, 2024

Islamabad