



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

ORDER	
Name of Company:	Kohinoor Industries Limited
Number and Date of Show Cause Notice (SCN):	CSD/ARN/30/2015-578 dated November 12, 2024
Name(s) of Respondent(s):	(i) Mr. M. Naseem Saigol, Chairman (ii) Mr. M. Zeid Yousaf Saigol, Chief Executive (iii) Mr. Muhammad Murad Saigol, Non-Executive Director (iv) Mr. Muhammad Omer Farooq, Non-Executive Director (v) Mr. Muhammad Athar Rafiq, Non-Executive Director (vi) Sheikh Aftab Ahmad, Independent Director (vii) Mrs. Sadaf Kashif, Independent Director
Date(s) of Hearing(s):	(i) December 11, 2024; (ii) December 23, 2024; (iii) January 14, 2025; (iv) January 21, 2025; and (v) February 26, 2025.
Case represented by:	(i) Mr. Muhammad Omar Farooq, Director; and (ii) Mr. Khawaja Safee Sultan, Sr. Manager Corporate Affairs. (as the Authorized Representatives.)
Provisions of law involved:	Sections 227(2) and 227(3) of the Companies Act, 2017 read with Section 227(6) thereof.
Date of the Order:	March 19, 2025

This Order shall dispose of proceedings initiated through the Show Cause Notice No. CSD/ARN/30/2015-578 dated November 12, 2024 (the "SCN") against Board of Directors ("BOD") of Kohinoor Industries Limited (the "Company") (hereinafter collectively referred to as the "Respondents") under Sections 227(2) and 227(3) of the Companies Act, 2017 (the "Act") read with Section 227(6) thereof.

2. The brief facts are that review of annual reports of the Company for the years ended June 30, 2022 and June 30, 2023 (the "Annual Reports") revealed that the Company did not incorporate the following necessary details in the Directors' Reports for the years 2022 and 2023 as specified in Section 227 of the Act:

Section	Requirements as per section 227 of the Act	Compliance Status
227(2)(k)	Comments in respect of adequacy of internal financial controls;	Non-compliant
227(3)(c)	The activities undertaken by the company with regard to corporate social responsibility during the year;	Non-compliant
227(3)(d)	Directors' responsibility in respect of adequacy of internal financial controls;	Non-compliant
227(3)(e)	The legitimate reasons for not declaring dividend under section 240 despite earning profits and future prospects of dividend, if any	Non-compliant

3. In order to probe the matter, the Commission sought clarification from the Company vide letter dated April 05, 2024. In response, the Company vide letter dated May 22, 2024, *inter alia*, submitted, as under:

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(i) *The requirements of clauses (c), (d), and (e) of sub-section (3) of Section 227 of the Act were not printed due to oversight, but it is assured that this will not be repeated in future.*

(ii) *It is regretted that the disclosure required under clause (e) of sub-section (3) of Section 227 of the Act with respect to providing reasons for not declaring dividends was unintentionally omitted, however assured that such instances will not be repeated in future.*

4. Taking cognizance in the matter, the SCN was served upon the Respondents for the aforesaid contraventions of the Act. However, in response to the SCN, no submissions were made by any of the Respondents. In order to provide opportunity of personal representation and to meet the ends of justice, several hearings opportunities were granted; where hearings in the matter were fixed for (i) December 11, 2024; (ii) December 23, 2024; (iii) January 14, 2025 and (iv) January 21, 2025 through the hearing notices served at the registered office address of the Company. Simultaneously, efforts were also made to contact the Respondents via telephone calls. However, none of the Respondents appeared at any of the scheduled hearings.

5. In order to conclude the matter in a bona-fide manner and for effectively delivering the hearing notice to the Respondents, accordingly, a final hearing notice dated February 18, 2025 was dispatched to the Respondents at the updated Company's registered office address as identified through the relevant submission with the Companies Registration Office (CRO) Lahore, and the hearing was scheduled for February 26, 2025 with a clear advice that no requests for adjournments of hearing opportunities will be allowed and in the case of non-appearance an ex-parte order shall be passed.

6. On the date of hearing, Mr. Muhammad Omar Farooq, Director and Mr. Khawaja Safee Sultan, Sr. Manager Corporate Affairs, appeared as the Authorized Representatives of the Respondents (**the "Authorized Representatives"**) and argued the case. During the course of the hearing, the Authorized Representatives admitted the default and further stated that these contents had been incorporated into subsequent Directors' Report i.e. Annual Report of 2024 and also requested to take a lenient view in the matter as subsequent compliance had been made. Subsequent to the hearing, the Authorized Representatives vide email dated February 26, 2025 submitted Directors' Report for the year 2024 as evidence to their' claim of duly adapting subsequent compliance.

7. I have reviewed the facts of the case and also considered the verbal submissions and email based evidence of post compliance made by the Respondents through their Authorized Representatives. At this juncture, it is important to discuss the following legal and factual elements:

(i) Section 227(2) of the Act requires the Directors' Report to include details about the internal financial controls within a company. Specifically, Section 227(2)(k) of the Act mandates comments on the adequacy of these controls to ensure transparency and accountability in corporate governance. This provision safeguards the company's assets, ensures the accuracy of financial records, and minimizes fraud risk. In the instant case, the Respondents failed to disclose information about internal financial controls, constituting non-compliance with Section 227(2)(k) of the Act; thereby undermining stakeholder confidence in its financial reporting and governance practices.

(ii) Section 227(3) of the Act mandates essential disclosures in the Directors' Report to ensure transparency and good governance. Specifically, clauses (c), (d), and (e) of sub-section (3) of Section 227 of the Act require companies to report on corporate social responsibility activities, the adequacy of internal

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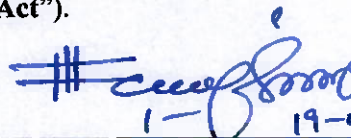
financial controls, and reasons for not declaring dividends despite earning profits. These disclosures provide shareholders with insights into the company's financial health, governance practices and social responsibility initiatives. In the instant case, the Respondents failed to include these mandatory disclosures in the Directors' Reports for the years 2022 and 2023, which was admitted by the Authorized Representatives that the omissions of the same occurred due to oversight.

(iii) It is observed that although the Respondents have subsequently complied by incorporating the required disclosures in the Directors' Report for the year 2024 and have assured that such omissions will not occur in the future, reflecting their commitment to regulatory compliance, however, their prior non-compliance in the instant matter in respect of Directors' Reports for the years 2022 and 2023 cannot be overlooked.

8. In view of the aforesaid, contravention of the provisions of Sections 227(2) and 227(3) of the Act have been established beyond doubt which attract penal action in terms of Section 227(6) read with Section 479 of the Act. I have also given due attention to the grounds presented by the Authorized Representatives to the said non-compliance and admittance. I, therefore, in exercise of the powers conferred under sub-section (6) of Section 227 and Section 479 of the Act read with S.R.O. 1545(I)/2019 dated December 06, 2019, hereby impose an aggregate penalty of **Rs.70,000 (Pak Rupees Seventy Thousand Only)** in the following manner on the Respondents on account of the aforesaid contravention and also advised them to meticulously adhere to the applicable legal framework in the future:

Sr. #	Names of the Respondents	Penalty Amount
1	Mr. M. Naseem Saigol,	10,000
2	Mr. M. Zeid Yousaf Saigol,	10,000
3	Mr. Muhammad Murad Saigol,	10,000
4	Mr. Muhammad Omer Farooq	10,000
5	Mr. Muhammad Athar Rafiq	10,000
6	Sheikh Aftab Ahmad	10,000
7	Mrs. Sadaf Kashif	10,000
	Total Amount	70,000

9. The Respondents are, hereby, 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 penalty/fines as arrears of land revenue pursuant to provision of Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997 (the "SECP Act").


19-03-2025

(Sohail Qadri)
Director/ HOD
Adjudication Department-I

Announced:

Dated: March 19, 2025

Islamabad.

