



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

ORDER	
Name of Company:	Hira Textile Mills Limited
Show Cause Notice No. & Date:	No. CSD/ARN/532/2018-706 dated December 16, 2024
Respondents:	(i) Mr. Muhammad Tariq, Chief Executive; (ii) Mr. Shaukat Nazir Malik, Director; (iii) Mr. Muhammad Awais Qarni Chaudary, Director; (iv) Dr. Azhar Waheed, Director; (v) Ms. Zainab Malik, Director; and (vi) Mr. Muhammad Hasnain Saeed Sohbin, Chief Financial Officer; and
Date(s) of Hearing(s):	(i) January 13, 2025 (ii) January 23, 2025
Case represented by:	(i) Mr. Imran Bashir, Partner, Rizwan & Company, Chartered Accountants; (as Authorized Representative)
Provision of law involved:	Section 237 of the Companies Act, 2017 read with Section 479 thereof and Circular 11 of 2023 dated August 11, 2023
Date of Order	March 20, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the “Commission”) through the Show Cause Notice No. Adj.I/ARN/64/2024-782 dated December 16, 2024 (the “SCN”) against the Board of Directors (the “BOD”) and the Chief Financial Officer (the “CFO”) of M/s Hira Textile Mills Limited (the “Company”) hereinafter collectively referred to as the “Respondents” under Section 237 read with Section 479 of the Companies Act, 2017 (the “Act”) and Circular No. 11 of 2023 dated August 11, 2023 (the “Circular”).

2. The provisions of sub-section (1) of Section 237 of the Act require all public listed companies to prepare its quarterly financial statements within thirty days of the close of their first and third quarters of their year of accounts and within sixty days of the close of their second quarter of their year of accounts. Sub-section (2) of Section 237 of the Act requires the listed companies to post on their website quarterly financial statements for information of members and also electronically transmit the same to the Commission, securities exchange and with the registrar within the period specified under sub-section (1).

3. The brief facts of the case are that the Company being public listed company was required to electronically transmit its first quarterly financial statements for the quarter ended September 30, 2024 with the Commission / registrar, and post the same on its website, within thirty (30) days of the close of the said quarter i.e. latest by October 30, 2024. However, as per the relevant record of the Commission, it has *prima facie* failed to file/transmit the aforesaid quarterly financial statements with the Registrar/Commission.

4. As per the requirements of the Circular No 11 of 2023, all listed companies are *inter alia* required to file their quarterly financial statements (“QFS”) through eService/eZfile of the Commission, and such filing is considered as compliance of Section 237(2) of the Act with respect to filing/transmission of QFS to the Commission / registrar. Failure to Comply with the mandatory provisions of Section 237 of the Act attracts penal action as provided under Section 237(4) of the Act. The relevant provisions of law are reproduced hereunder:

“237. Quarterly financial statements of listed companies. — (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).

(3).....

(4) 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.”

5. Taking cognizance of the alleged violation of law, a SCN was served upon the Respondents on December 16, 2024 to show the cause in writing as to why a penal action may not be taken against them for non-compliance of the requirements of Section 237 of the Act read with the Circular. The Authorized Representative of the Respondents vide letter dated January 09, 2025, submitted a written response to the SCN, inter alia, submitted the following:

- i The Company recognizes the importance of complying with relevant provisions of law and dissemination of information to the shareholders. However, the Company has been facing various challenges including changes in staff, financial distress, and abrupt resignation by key staff members. These factors caused adverse effect on the Company's ability to ensure various corporate compliances and other operations and performance of the Company.
- ii It is pertinent to mention that the Company has always complied with the statutory requirements and always filed audited and interim financial statements within the stipulated time.
- iii The Company has recently hired some key personnel, who previously managed the Company efficiently. The management is willing to work day and night in order to revive the Company and ensuring smooth turnaround.
- iv The Company had a dispute with outgoing auditors owing to which they have un-necessarily withheld issuance of No Objection to the incoming auditors despite payment of fees to outgoing auditors.
- v The issue with the outgoing auditors had been resolved in the recent past and the auditors have not only completed a limited review for the half year ended December 31, 2022, but also the annual audit for the year ended June 30, 2023.

- vi The Company has already disseminated interim financial statements of the Company for the period ended September 30, 2023, December 31, 2023, and March 31, 2024, to the Pakistan Stock Exchange, whereas filing with the registrar/Commission has been delayed owing to some system issue in eZfile which shall be filed before the hearing date.
- vii Annual audit for the financial year ended June 30, 2024, is currently in progress and the Company is committed to completing all overdue corporate compliances, including but not limited to dissemination of annual audited financial statements for the year ended June 30, 2024, interim financial statements for the period ended September 30, 2024, and December 31, 2024, on or before March 31, 2025.
- viii It is assured that the Company is trying its level best to strategize a plan to implement recovery and deal with every issue and non-compliance at the earliest possible.
- ix Given the above explanation, the circumstances were beyond the control of the management and the abrupt separation of certain key staff members led to the mishandling of the respective staff with the auditors and resultantly the matter led to non-finalization of interim financial statements and annual audit for the year June 30, 2024.
- x The Company's non-compliance to Section 237 of the Act is inadvertent and beyond the control of the management.

6. In order to provide an opportunity for personal representation, a hearing in the matter was fixed for January 13, 2025. However, the same was adjourned on request of the Authorized Representative of the Respondents. To meet the ends of justice another hearing in the matter was fixed for January 23, 2025, which was attended by Mr. Imran Bashir, Partner Rizwan & Company, Chartered Accountants; on behalf of the Respondents as their Authorized Representatives ("**Authorized Representative**"). The Authorized Representative reiterated the stance taken in the written response and further asserted as under:

- i The plant of the Company has been shut down since 2022 and the Company is facing financial and regulatory compliance problems.
- ii The Company is also facing staff issues as their staff abruptly left the Company and currently have only two (2) staff members.
- iii The auditor has given adverse/qualified opinions for the years 2022 and 2023 and now the Company is trying to revive with a new investor.
- iv The Company has largely met the overdue regulatory compliances for the year 2023. They are hopeful that the Company will be able to complete all overdue corporate compliances including dissemination of annual audited accounts for the year ended June 30, 2024, and interim financial statements for the period September 30, 2024, and December 31, 2024 by March 31, 2025.

7. Subsequent to the hearing, the Authorized Representative, via letter dated February 6, 2025, provided the detailed timelines for approving and eventual filing/submission of its overdue financial reports for the year 2023 to the Commission. Moreover, the Authorized Representative also highlighted that the management of the Company faces issues in designating an authorized signatory under the eZfile system of the Commission. One of the directors' CNIC details was found to be incorrect in the earlier corporate filings, which caused a delay in the process. It took a considerable time to rectify the CNIC error. Once the correction is made, the Company is able to manage and complete various overdue corporate filings, including Form 9, Form A, Form 19, and the submission of periodic financial statements.

8. I have gone through the relevant provisions of Section 237 of the Act and the requirements of the Circular No. 11 of 2023, and considered the facts of the case, available record of the Company, as well as written and verbal submissions of the Respondents and the Authorized Representative. I have also perused Section 237(4) of the Act, which stipulates penal provisions for contravention of the afore-referred provisions of law. I have noted that in terms of Section 237(2) of the Act, every listed company is required to file/transmit its QFS within thirty (30) days from the date of close of its first quarter of its year of accounts or within the extended period/time frame. QFS are a crucial source of information for the stakeholders, especially shareholders, of a publicly listed company. It provides timely insights into a company's financial performance and such information is essential for assessing the company's overall financial health.

9. The provisions of Section 237 of the Act unambiguously and explicitly obligate the Company to file/transmit its QFS in a timely manner. In this respect, reliance is placed on an Order passed by the Appellate Bench of the Commission on March 01, 2023 (*in Appeal No. 73 of 2022- Gulistan Textile Mills Limited, vs. SECP*), whereby it was held that a public listed company has higher responsibility to disseminate true and accurate state of affairs to all the stakeholders in a timely manner so that they may take appropriate decisions. In another case cited as 2024 CLD 672 [*Appeal No. 77 of 2021 decided on August 25, 2023*], the Appellate Bench of the Commission held that "... *interim financial statements prepared accurately and in timely manner, provide a reliable source of information regarding a company's financial position and performance to its users, besides illustrating regarding the results of the management's stewardship of resources entrusted to it...*" The significance of transmitting quarterly financial statements of a listed company in a timely manner is also echoed in 2024 CLD 635 – Appeal No. 78 of 2021 decided on August 25, 2023, and 2024 CLD 415 – Appeal No. 97 of 2020 decided on August 25, 2023.

10. The Company, being a listed entity, was required to electronically transmit its QFS for the period ended September 30, 2024, to the Commission/Registrar and post the same on its website by October 30, 2024, in accordance with the mandatory provisions of Section 237(2) of the Act read with Circular No. 11 of 2023. However, the Company has failed to fulfill this statutory requirement within the prescribed timeframe, as evidenced by the relevant record of the Commission. Notably, the Company has remained non-compliant with Section 237 of the Act, despite having been adjudicated multiple times for similar violations, following its failure to file the QFS for various quarters in the years 2020, 2022, 2023, and 2024.

11. Moreover, the argument put forth by the Respondents and their Authorized Representative that for not preparing, filing/transmitting the QFS for the period ended September 30, 2024, was mainly because of disputes with outgoing auditors, financial distress, abrupt resignation of key personnel, and administrative challenges, have been duly considered. However, none of these explanations justify the non-compliance with the statutory requirement and instead highlight inadequate governance and contingency planning by the Company. Pakistan Case Laws - Pakistan Telecommunication Company Limited v. Wateen Telecom Limited (CLD 2019 Lahore 1213): The Lahore High Court held that "*the failure to maintain a backup system for critical infrastructure was not a force majeure event, but rather a result of the company's own negligence*". Ensuring timely compliance with legal and regulatory requirements is the fundamental responsibility of the BOD and the management, regardless of internal challenges. The Respondents' admission of such problems actually reflects a lack of proper succession planning and internal controls, which a well-governed company must have to prevent such lapses. The obligation to file/transmit the QFS within the prescribed timeline is absolute, and any failure to do so constitutes a contravention of Section 237 of the Act.

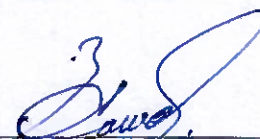
12. It is observed that the Company has made efforts to regularize its overdue corporate filings and compliance obligations, the QFS for the period ended September 30, 2024, remains pending. The Company's commitment to ensure the dissemination of annual audited financial statements for the year ended June 30,

2024, along with QFS for the period September 30, 2024, and December 31, 2024, by March 31, 2025, does not negate the default already committed.

13. In view of the preceding facts, I am of the considered view that by failing to file/transmit the QFS to the Commission and to upload the same on the Company's website within the prescribed timeframe, the contravention with the requirements of Section 237 of the Act has been established beyond doubt which attracts penal action in terms of sub-section (4) of Section 237 of the Act. I, therefore, in exercise of the powers conferred upon me under sub-section (4) of Section 237 of the Act, hereby, impose an aggregate penalty of **Rs. 60,000/- (Rupees Sixty Thousand only)** on the Respondents in the following manner:

S.No.	Name of Respondents	Penalty Amount (Rupees)
1.	Mr. Muhammad Tariq	10,000
2.	Mr. Shaukat Nazir Malik	10,000
3.	Mr. Muhammad Awais Qarni Chaudary	10,000
4.	Dr. Azhar Waheed	10,000
5.	Ms. Zainab Malik	10,000
6.	Mr. Muhammad Hasnain Saeed Sohbin	10,000
	Total Amount	60,000

14. The Respondents are hereby directed to deposit the aforesaid fine in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and furnish receipted voucher issued in the name of the Commission for information and record. 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 provisions of Section 42 of the Securities and Exchange Commission of Pakistan Act, 1997.



(Mahboob Ahmad)

Additional Director/ Head of Wing
Adjudication Department-I

Announced:

Dated: March 20, 2025

Islamabad

