



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/532/2018-705 dated December 17, 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; (vi) Mr. Muhammad Hasnain Saeed Sohbin, Company Secretary; and (vii) Hira Textile Mills Limited
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 132 of the Companies Act, 2017 read with Section 479 thereof
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. CSD/ARN/532/2018-705 dated December 17, 2024 (the “SCN”) against M/s Hira Textile Mills Limited (the “Company”), its Board of Directors (BoD) and the Company Secretary, hereinafter collectively referred to as the “Respondents”, 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 the Company in terms of the requirement of Section 132(1) of the Act was required to hold its Annual General Meeting for the year ended June 30, 2024 (the “AGM”) within a period of one hundred and twenty (120) days following the close of its aforesaid financial year i.e. by October 28, 2024. The relevant provisions of law 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...”

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3. The relevant record of the Commission revealed that the Respondents failed to hold the AGM of the Company, as required under sub-section (1) of Section 132 of the Act. While taking cognizance of the said contravention, the SCN was served upon the Respondents to show the cause in writing as to why a penal action may not be taken against them for non-compliance with the provisions of Section 132 of the Act. The Authorized Representative of the Respondents vide letter dated January 09, 2025, submitted a written response to the SCN, interalia, submitted the following:

- i The Company has recently hired key personnel who previously managed the Company efficiently.
- ii 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.
- iii 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. Thereafter, the Company has been able to disseminate half yearly review for the period ended December 31, 2022, interim financial statements for the period ended March 31, 2023, and an annual audit for the year ended June 30, 2023.
- iv The Company has recently held its overdue AGM for the year 2023 on November 20, 2024; where annual reports for the year ended June 30, 2023, were duly presented before the members in the said meeting.
- v 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 holding the overdue AGM, by March 31, 2025.
- vi 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.
- vii 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.
- 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 132 of the Act is inadvertent and beyond the control of the management.

4. 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.

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17/03/2025

- 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 and now moving towards the overdue compliances for the year 2024. They are hopeful that the Company will be able to complete all overdue corporate compliances including holding of overdue AGM for the year 2024 by March 31, 2025.

5. 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 was made, the Company was able to manage and complete various overdue corporate filings, including Form 9, Form A, Form 19, and the submission of periodic financial statements.

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 and the Authorized Representative. I have also perused Section 132(5) of the Act, which stipulates penal provisions for contravention of the afore-referred provisions of law. I have noted 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 failed to do so. The holding of AGMs on time 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.

7. The Appellate Bench of the Commission held in 2024 CLD 1095 [Appeal No. 39 of 2021 decided on January 20, 2024], that "...delay reflects negligence on the part of the Appellant. The Bench is of the view that a listed company is under an obligation inter alia to hold the AGM as per the law within 120 days of the close of its financial year which the Appellant has failed to do so." The Company, being a listed entity, was required to hold its AGM in a timely manner as per the mandatory provisions of Section 132 of the Act. It is also observed that the Company has remained non-compliant with Section 132 of the Act consistently in past as well and despite having been adjudicated multiple times for similar violations for the years 2022 and 2023, it again failed.

8. Moreover, the argument put forth by the Respondents and their Authorized Representative that the delay / non-holding of AGM 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 hold the AGM within the prescribed timeline is absolute, and any failure to do so constitutes a contravention of Section 132 of the Act.

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9. It is observed that the Company has made efforts to regularize its overdue corporate filings and compliance obligations, the AGM for the financial year ended June 30, 2024, remains pending. The Company's commitment, as communicated in the written response, to holding the overdue AGM by March 31, 2025, does not negate the default already committed. Furthermore, despite assurances from the Respondents and their Authorized Representative in both written and verbal submissions, it is observed that the Company has yet to issue a notice for the AGM. While, a notice for a Board Meeting scheduled for March 25, 2025, to consider and approve (i) the audited accounts for the year 2024, (ii) the date and time of the AGM, and (iii) the appointment of external auditors, has been disseminated on the Pakistan Stock Exchange website on March 18, 2025. The delay in holding the AGM has consequently postponed the presentation of financial statements to shareholders, depriving them of their statutory right to review and discuss the Company's financial matters in a timely manner.

10. In view of the preceding facts, I am of the considered view that by failing to hold AGM within the prescribed timeframe, 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. I, therefore, in the exercise of the powers conferred upon me under sub-section (5) of Section 132 of the Act, hereby, impose an aggregate penalty of **Rs. 80,000/- (Rupees Eighty 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
7.	Hira Textile Mills Limited	20,000
	Total Amount	80,000

11. 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.


1-03-2025

Sohail Qadri
Director/ HOD
Adjudication Department-I

Announced:
Dated: March 20, 2025
Islamabad