



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department-I

### Adjudication Division

ORDER	
Name of Company:	Zahur Cotton Mills Limited
Show Cause Notice No. & Date:	No. CSD/ARN/178/2015-403 dated September 05, 2024
Respondents:	(i) Mr. Imran Zaid, Chairman; (ii) Ms. Javeria Malik, Director; (iii) Ms. Sana Malik, Director; (iv) Mr. Muhammad Faheem Qureshi, Director; (v) Ms. Azra Perveen, Director; (vi) Mr. Muhammad Sheraz, Director; and (vii) Syed Jawad Ali, Chief Executive
Date of Hearing:	November 07, 2024
Case represented by:	Mr. Nadeem Mehmood Butt, CEO- Frontier Advisory (Private) Limited (FAPL); and Mr. Wasif Ali Rana, Director-FAPL
Provision of law involved:	Section 176 of the Companies Act, 2017 read with Section 479 thereof
Date of Order:	March 21, 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/178/2015-403 dated September 05, 2024 (the “SCN”) against the Directors and the CEO of Zahur Cotton Mills Limited (the “Company”), hereinafter collectively referred to as the “BoD” or the “Respondents”, issued under Section 176 of the Companies Act, 2017 (the “Act”) read with Section 479 thereof.

2. The brief facts of the case are that the BoD of the Company (being a public listed company) was required to meet at least once in each quarter of a year, in terms of sub-section (3) of Section 176 of the Act. However, review of the annual audited financial statements of the Company along with the director’s report for the year ended June 30, 2023 (the “Accounts”) and the announcements made by the Company to Pakistan Stock Exchange Limited (“PSX”) *prima facie* revealed that the meeting of BoD of the Company was not held during the quarter ended March 31, 2023.

3. The directors’ report annexed to the Accounts disclosed that the Company held five (05) BoD meetings during the financial year 2022-23 as follows:

Date of BoD meeting	Particulars
August 18, 2022	Appointment of new auditors
October 05, 2023	Approval of annual audited accounts of June 30, 2022
October 27, 2023	Approval of quarterly accounts of September 30, 2022
April 10, 2023	Extension in circulation of half yearly accounts of December 31, 2022
June 15, 2023	For other than financials

4. Considering the above, the Commission vide letter dated March 20, 2024 sought clarification from the Company for not holding the meeting of BoD during the quarter ended March 31, 2023. The Company vide letter dated April 01, 2024 *inter-alia* stated that “no meeting was held of the 3<sup>rd</sup> quarter.”

5. The relevant provisions of law are reproduced hereunder for ease of reference:

**“176. Proceedings of the board.-** (3) *The board of a public company shall meet at least once in each quarter of a year.*

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#cecp/BoD  
2023-2025

(4) If a meeting of the board is conducted in the absence of a quorum or a meeting of board is not held as required by sub-section (3), the chairman of the directors and the directors shall be liable—

(a) if the default relates to a listed company, to a penalty of level 2 on the standard scale.”

6. Taking cognizance of the above alleged non-compliance, a SCN was served upon the Respondents on September 05, 2024, requiring them to show the cause as to why a penal action as provided under clause (a) of sub-section (4) of Section 176 of the Act may not be taken against them for the aforementioned contravention of the law. However, the Respondents did not submit any reply in response to the SCN.

7. In order to meet the ends of justice and provide an opportunity of being heard to the Respondents, hearing in the matter was fixed for November 07, 2024, which was attended by Mr. Nadeem Mehmood Butt, CEO-Frontier Advisory (Private) Limited (“FAPL”) and Mr. Wasif Ali Rana, Director-FAPL on behalf of the Respondents as their Authorized Representatives. The Representatives *inter-alia* submitted that the board meeting during the third quarter of FY 2022-23 was not held due to shortage of staff with the statutory auditor which caused delay in finalization of half yearly reviewed financial statements. The Representatives further informed that the board meeting was held in August 2023 after finalization of the aforesaid half year reviewed financial statements.

8. Subsequently, the CEO of the Company vide letter dated November 11, 2024 reiterated the aforesaid submissions of the Representatives and further submitted that no meeting of the board was held during 3rd quarter of FY 2022-23; and the half year and third quarter financial statements were finalized after appointment of new statutory auditor - thereafter the board meeting was held on August 17, 2023 wherein both the aforesaid financial statements were approved. The CEO further requested for a lenient view in the matter.

9. I have gone through the relevant provisions of Section 176 of the Act, and considered the facts of the case, & written and verbal submissions of the Respondents. I have also perused Section 176(4) of the Act, which stipulates penal provisions for contravention of the afore-referred provision of law. I have noted that the requirements prescribed under Section 176 of the Act are explicit and unambiguous, and mandate the board of directors of a public company to meet at least once in each quarter of a year. The Respondents’ understanding that the board meetings are required to be held with the sole agenda to approve half yearly/ quarterly financial statements is *ab initio* misplaced, since the Act provides numerous businesses, in addition to approval of financial statements, that require deliberation and decision of the board. In addition, the Listed Companies (Code of Corporate Governance) Regulations, 2019 stipulate that significant issues be placed before the board for its information, consideration and decision. The Ramaiya Guide to the Indian Companies Act, 2013 while commenting on Section 173 to the said Act (*pari materia to Section 176 of the Companies Act, 2017*) points out that “*where a meeting has been properly convened, the directors may transact at the meeting all business within their powers...*” The statute requires the holding of quarterly board meetings in order to enable the board to effectively undertake its role in remaining watchful and having vigilant oversight on all the affairs and operations of the company. Hence, by meeting regularly, the board would be able to identify any critical matter and/or irregularity in the operations, and would be in a better position to address the same promptly.

10. The Ramaiya Guide to the Indian Companies Act, 2013 further sheds light on the significance of regularly holding meetings of the board of directors by stating that “*...the object of s. 285 of the 1956 Act was to ensure that the Board meetings are held at reasonably frequent intervals, so that the directors may be in touch with the management of company’s affairs as often as they should be...if no Board meetings are held and thereby through mismanagement or otherwise loss is sustained by the company, the whole Board will be liable.*”

11. Be that as it may, the Respondents have admitted their default in holding the meeting of board of directors of the Company for the quarter ended March 31, 2023. Nonetheless, the Respondents have demonstrated their commitment to ensure due compliance with the provisions of Section 176 of the Act in future.

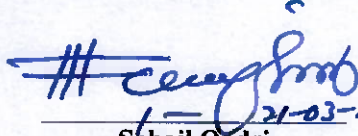
12. After careful consideration of all the facts of the case in light of the relevant provisions of the law, and the written and verbal submissions made by the Respondents, I am of the considered view that the Respondents have contravened the provisions of Section 176(3) of the Act, and such contravention attracts penal action as

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21-03-2025

provided under Section 176(4)(a) of the Act. I, therefore, in exercise of the powers conferred upon me under sub-section (4) of Section 176 read with Section 479 of the Act in terms of S.R.O. 1545(I)/2019 dated December 06, 2019, hereby impose an aggregate penalty of **Rs.70,000/- (Rupees Seventy Thousand Only)** on the Respondents on account of the aforesaid established default in the following manner:

Sr. #	Names	Penalty (Rs.)
1.	Mr. Imran Zaid, Director	10,000
2.	Ms. Javeria Malik, Director	10,000
3.	Ms. Sana Malik, Director	10,000
4.	Mr. Muhammad Faheem Qureshi, Director	10,000
5.	Ms. Azra Perveen, Director	10,000
6.	Mr. Muhammad Sheraz, Director	10,000
7.	Syed Jawad Ali	10,000
<b>Total</b>		<b>70,000</b>

13. 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 fines as arrears of land revenue pursuant to provision of Section 42 of the SECP Act.

  
 21-03-2025  
 Sohail Qadri  
 Director/ HOD  
 Adjudication Department-I

**Announced:**  
 March 21, 2025  
 Islamabad.

