



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department- I

### Adjudication Division

ORDER	
Name of Company:	M/s. Chakwal Spinning Mills Limited
Show Cause Notice No. and Date:	CSD/ARN/93/2015-294 dated March 27, 2025
Respondents:	(i) Khawaja Muhammad Kaleem, Director; (ii) Mr. Mansoor Bin Saeed, Chief Executive Officer; (iii) Khawaja Muhammad Tanveer, Director; (iv) Sheikh Maqbool Ahmed, Director; (v) Khawaja Muhammad Jahangir, Director; (vi) Mst. Munaza Kaleem, Director; (vii) Mr. Abbas Ali, Director; (viii) Ms. Soha Kaleem, Director; and (ix) Mr. Abdul Hayee Khan Ghouri, Chief Financial Officer
Date(s) of Hearing(s):	April 25, 2025
Case Represented by:	Mr. Nadeem Anwar, Company Secretary (As the Authorized Representative)
Provision of Law Involved:	Section 237 of the Companies Act, 2017 read with Section 479 thereof and Circular No.11 of 2023 dated August 11, 2023
Order date:	May 06, 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/93/2015-294 dated March 27, 2025 and corrigendum thereto dated December 24, 2024 (collectively referred to as the "SCN") against the Board of Directors (the "BOD"), Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO") of M/s. Chakwal Spinning 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 requires 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.

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 (QFS) for the period ended September 30, 2024 with the Registrar/Commission, within thirty (30) days of the close of the said quarter. The Company filed an application requesting a thirty (30) days extension for the filing of the aforesaid financial statements. In response, the Commission, through its letter dated October 10, 2024, granted an extension, allowing the Company to submit the financial statements not later than November 29, 2024. However, as per the relevant record of the Commission, it has been observed that the Company filed/transmitted the aforesaid QFS on January 20, 2025 with the delay of fifty-two (52) days.

4. As per the requirements of the Circular, all listed companies are *inter alia* required to file their 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 Registrar/Commission. 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 non-compliance of the requirements of law, SCN was served upon the Respondents on March 27, 2025 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. However, no written response was submitted by the Respondents.

6. In order to meet the ends of justice and to provide opportunity of being heard to the Respondents, hearing in the matter was fixed for April 25, 2025, wherein Mr. Nadeem Anwar (Company Secretary) appeared as the Authorized Representative of the Respondents (the "Authorized Representative"). During the course of the hearing, the Authorized Representative acknowledged the aforesaid violation of law and stated that the delay in filing/transmitting the QFS for the period ended September 30, 2024, was due to the Respondents' involvement in a significant corporate restructuring process. Furthermore, he requested that the delay be condoned and a lenient may be taken in the instant matter.

7. The Authorized Representative vide email dated April 29, 2025, submitted a letter of the same date, wherein it was, inter alia, stated that the delay in compliance was unintentional and occurred due to an ongoing major restructuring of the Company, which involves a strategic realignment from the textile sector to the information technology and cloud services industry. This transformation has necessitated extensive changes in management and operations, aimed at enhancing the Company's long-term sustainability and growth potential. While these adjustments were critical and the Respondents were actively involved in such activities thereby could not meet certain regulatory deadlines. Nonetheless, corrective measures have since been implemented, and the Respondents reaffirm their commitment to fully comply with all statutory requirements of the Act.

8. I have gone through the relevant provisions of Section 237 of the Act and the requirements of the Circular, and considered the facts of the case, available record of the Company, as well as written and verbal submissions of 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. 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 argument put forth by the Authorized Representative that for not preparing, filing/transmitting the QFS for the period ended September 30, 2024, was mainly because of the Respondents' involvement in a significant corporate restructuring process. However, the explanation do not justify the non-compliance with the statutory requirement and instead highlight inadequate governance/planning by the Company. Pakistan Case Laws - Pakistan Telecommunication Company Limited vs. 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".

11. Ensuring timely compliance with legal and regulatory requirements is the fundamental responsibility entrusted on BOD, regardless of internal challenges. 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. Furthermore, based on the available record of the Commission, it has been observed that in past the Company was penalized through the Commission's orders dated April 29, 2021, and June 21, 2022. It has been further observed that the QFS for the period ended September 30, 2024, was filed/transmitted to the Commission with a significant delay of 52 days.

13. In view of the above-stated facts and circumstances, I am of the considered view that by failing to prepare, file/transmit the QFS for the first quarter ended September 30, 2024, within the prescribed timeframe, the Respondents have contravened the requirements of Section 237(2) of the Act read with the Circular. I, therefore, in the exercise of the powers conferred upon me under sub-section (4) of Section 237 of the Act read with Section 479 thereof and S.R.O. 1545(I)/2019 dated December 6, 2019, hereby, impose an aggregate penalty of Rs. **Rs.67,500/- (Rupees Sixty Seven Thousand Five Hundred only)** on the Respondents in the following manner:

S.No.	Name of Respondents	Amount of the Penalty in Rs.
1.	Khawaja Muhammad Kaleem, Director	7,500
2.	Mr. Mansoor Bin Saeed, CEO	7,500
3.	Khawaja Muhammad Tanveer, Director	7,500
4.	Sheikh Maqbool Ahmed, Director	7,500
5.	Khawaja Muhammad Jahangir, Director	7,500

6.	Mst. Munaza Kaleem, Director	7,500
7.	Mr. Abbas Ali, Director	7,500
8.	Ms. Soha Kaleem, Director	7,500
9.	Mr. Abdul Hayee Khan Ghouri, CFO	7,500
	<b>Total Amount</b>	<b>67,500/-</b>

Further, the Respondents are also advised to ensure meticulous compliance with all applicable laws in true letter and spirit, henceforth.

15. 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 42B of the Securities and Exchange Commission of Pakistan Act, 1997.

**Mahboob Ahmad**  
Additional Director/Head of Wing  
Adjudication Department – I  
Listed Companies Wing

Announced:  
May 06, 2025  
Islamabad.