



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before

Mahboob Ahmad – Additional Director/Head of Wing

In the Matter of

Huffaz Seamless Pipe Industries Limited

Number and Date of SCN: CSD/ARN/203/2015-346 dated June 24, 2024

Hearing Dates: July 26, 2024, August 23, 2024, September 18, 2024
October 11, 2024 and October 29, 2024

ORDER

Under Section 237 of the Companies Act, 2017 and Section 479 thereof

This Order shall dispose of the proceedings initiated through the Show Cause Notice No. CSD/ARN/203/2015-346 dated June 24, 2024 (**the SCN**) issued under Section 237 of the Companies Act, 2017 (**the Act**) read with Section 479 thereof, to the Board of Directors including the Chief Executive and Chief Financial Officer (CFO) (collectively referred to as the **Respondents**) of Huffaz Seamless Pipe Industries Limited (**the Company**).

2. Brief facts of the case are that the Company failed to prepare and file/electronically transmit its following Quarterly Financial Statements (QFS) to the Registrar/ Securities and Exchange Commission of Pakistan (**the Commission**) within the stipulated time pursuant to Section 237 of the Act read with Circular No. 11 of 2023 (**the Circular**):

S. No.	Periods ended	Due on
1.	December 31, 2023	February 29, 2024
2.	March 31, 2024	April 30, 2024

3. The QFS for the aforesaid period were also not posted on the website of the Company. The Respondents, hence, *prima facie*, contravened the provisions of Section 237 of the Act and Circular by failing to prepare and file/electronically transmit through e-Services with the Registrar/ Commission, the aforesaid QFS, within the stipulated time, and by not posting the same on website of the Company. Consequently, the SCN was issued to the Respondents to show cause in writing as to why penal action may not be taken against them for non-compliance of Section 237 of the Act. In this regard, the Company through letter dated July 8, 2024 sought extension till July 25, 2024 to furnish a reply to the SCN. Thereafter, Hafiz Abdul Majid, Chief Executive of the Company through letter dated July 24, 2024 (received on July 29, 2024), *inter alia*, submitted that:



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- The delay in filing of QFS for the period ended December 31, 2023 and March 31, 2024 is due to non-holding of Annual General Meeting for the year ended June 30, 2023. The matters would be streamlined after the convening of the AGM of 2023.
- The deaths and leaving of jobs by specialized employees due to Covid-19 created vacuum in all fields. Thereafter, the Company has overcome this issue.
- The Commission had already imposed penalties for non-holding of the AGM for the year ended June 30, 2023.
- The QFS for the periods ended December 31, 2023 and March 31, 2024 cannot be prepared and approved before approval of annual accounts as on June 30, 2023, therefore, requested to allow time to submit the QFS for the periods ended on December 31, 2023 and March 31, 2024, after submission of annual accounts for the year ended June 30, 2023. It is also requested to kindly consider this reply as full & final and to take decision on the basis of this letter.

4. In order to provide opportunity of personal representation, the hearings in the matter were fixed to for July 26, 2024, August 23, 2024, however, no one appeared. The matter was later on fixed for September 18, 2024 and the Respondents were requested to furnish authorization in the matter of reply letter dated July 24, 2024. The Company through letter dated September 16, 2024 sought one-week adjournment. Thereafter, hearing in the aforesaid matter was fixed for October 11, 2024.

5. The Chief Executive through letter dated October 9, 2024 iterated the reasons of defaults of Section 237 of the Act as stated in the reply dated July 24, 2024. The hearings were again fixed for October 11, 2024 and October 29, 2024, however, no one appeared. In this regard, the Chief Executive through a letter dated October 9, 2024, which was received on October 29, 2024, *inter alia*, iterated the same reasons as stated in previous correspondence. The Chief Executive also stated that: "You are further requested to kindly consider this reply as full & final and take decision on the basis of this letter/reply and oblige." Moreover, extract of board resolution of directors passed in the meeting held on January 22, 2024 was annexed along with the aforesaid letter, which stated that: "It is to be resolved that Hafiz Abdul Majid is authorized to face all matters including all type of notices, show cause notices, proceeding, hearing etc. related to Securities and Exchange Commission of Pakistan and Pakistan Stock Exchange Limited. This resolution shall remain in effect until superseded by another resolution in future." Keeping in view, I am constrained to conclude the aforesaid proceedings based on available information/record.

6. As regards the matter at hand, I have analyzed relevant provisions of the Act, and the written correspondence available on record. At this juncture, following issues need to be addressed. In this regard, it is observed that:

(i) **Whether it is statutory obligation to timely file/transmit quarterly financial statements:**

The provisions of Section 237 are unambiguous and explicit. The timing of the QFS is of essence and the disclosure requirements of these QFS have been kept to a bare minimum.



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The QFS prepared accurately and in a timely manner provide to its users a reliable source of information regarding a Company's financial position. The Company is required to meticulously adhere to the law for preparation and filing/transmission of the QFS in a timely manner. The Respondents have, *inter alia*, highlighted their inability to prepare the aforesaid QFS due to non-holding of AGM of 2023. The afore-said arguments of Respondents cannot absolve them from their statutory duties pertaining to preparation and filing/transmission of the QFS in a timely manner as stipulated under the Act.

(ii) **Whether the responsibility to timely file the QFS rests with the Respondents:**

The preparation and transmission of QFS within the stipulated timeframe rests with the Respondents. The Respondents have placed reliance that the delay in filing of QFS for the period ended December 31, 2023 and March 31, 2024 is due to non-holding of Annual General Meeting for the year ended June 30, 2023.

The instant proceedings are under Section 237 of the Act and delay in holding of AGM of 2023 does not fall under the purview of the instant matter. Further, the reason of facing hardship due to Covid-19 is not cogent since considerable time has already been passed and the Respondents are still non-compliant and this does not absolve of the Respondents from the default of Section 237 of the Act.

(iii) **Whether matter of seeking extension in time for transmission of the QFS falls under the instant proceedings:**

The instant proceedings are with reference to default of filing/transmission of QFS for the second and third quarter of the financial year. In respect of time sought by the Respondents to prepare the afore-said QFS under Section 237 of the Act, such relaxation does not fall under the purview of the instant proceedings. Further, the Respondents have not proceeded in accordance with the provisions of Section 237(1) of the Act, for seeking extension in time for filing/transmission of QFS, which provides that extension in time can only be granted for a period of 30 days only in respect of first quarter of a financial year.

(iv) **Whether the compliance history with respect to Section 237 of the Act is satisfactory:**

The record of the Company reflects non-compliances of the provisions of Section 237 of the Act from September 30, 2021 till September 30, 2023. Keeping in view of the past track record of non-compliances, I am of the view that instant default of Section 237 of the Act is repetitive in nature.

7. In view of above, I have come to the conclusion that the afore-said provisions of the Act have been violated and it renders the Respondents liable to penal action in terms of Section 237 of the Act as a result of failing to prepare and file/ electronically transmit the Company's QFS for the periods ended December 31, 2023 and March 31, 2024 within the stipulated timeframe. Therefore, in exercise of powers conferred under sub-section (4) of Section 237 of the Act, I hereby



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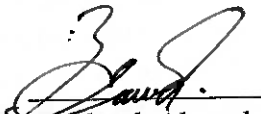
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impose an aggregate penalty of Rs. 280,000/- (Rupees Two Hundred Eighty Thousand only) on the Respondents as follows:

S. No.	Name of the Respondent	Amount of Penalty (PKR)
1	Hafiz Abdul Majid, Chief Executive	20,000/-
2	Mr. Talal Yousaf Mohammad Najibi, Director	20,000/-
3	Mr. Nabil Abdul Rahman Ahmad Arif, Director	20,000/-
4	Mr. Fahad Abdul Aziz Eshaq Al Shaikh, Director	20,000/-
5	Hafiz Abdul Waheed, Director	20,000/-
6	Hafiz Abdul Sami, Director	20,000/-
7	Hafiz Abdul Haseeb, Director	20,000/-
8	Hafiz Abdul Aleem, Director	20,000/-
9	Mr. Muhammad Hafiz, Director	20,000/-
10	Mr. Arshad Ahmed, Director	20,000/-
11	Mr. Asghar Imran Khalid, Director	20,000/-
12	Ms. Javeria Sami, Director	20,000/-
13	Mr. Nasir Mahmood, Director	20,000/-
14	Mr. Muhammad Anwar Khan, CFO	20,000/-
Total		280,000/-

The Respondents are hereby advised to ensure the compliance of the legal provisions of the Act.

8. The aforementioned penalties must be deposited in the designated bank account maintained with MCB Bank Limited or United Bank Limited in the name of the *Securities and Exchange Commission of Pakistan* within thirty (30) days from the receipt of this Order, and duly deposited bank challan shall be furnished to the Commission. In case of non-deposit of the penalties, proceedings for recovery under Section 485 of the Act as arrears of land revenue will be initiated. It may also be noted that the penalty has been imposed on the Respondents in their personal capacity; therefore, they are required to pay the said amount from personal resources.


Mahboob Ahmad

Additional Director/ Head of Wing
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Announced: November 14, 2024

Islamabad