



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department- I

### Adjudication Division

Before

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

*In the Matter of*

**Nazir Cotton Mills Limited**

Number and Date of SCN: CSD/ARN/151/2015-281 dated May 10, 2024  
July 29, 2024

Hearing(s) Dates:

### ORDER

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

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the "Commission") through Show Cause Notice No. CSD/ARN/151/2015-135 dated May 10, 2024 (the SCN) issued under Section 237(4) of the Companies Act, 2017 (the Act) and Section 479 thereof read with applicable Circular No. 24 of October 19, 2017 and Circular No.11 dated August 11, 2023 (Circulars) against the board of directors and Chief Financial Officer (CFO), hereinafter collectively referred to as the Respondents, of Nazir Cotton Mills Limited (the Company).

2. Brief facts of the case are that the Company failed to prepare and file/transmit through e-Services with the Registrar /Commission, its Quarterly Financial Statements (QFS) for the following periods, within the stipulated time and were not posted on the Company website:

S. No.	Periods Ended	Due on	Date of Filing	Delay (approximate)
1	March 31, 2020	April 30, 2020	August 07, 2024	4 years
2	September 30, 2020	October 30, 2020	August 07, 2024	4 years
3	December 31, 2020	March 1, 2021	August 03, 2024	3 years
4	March 31, 2021	April 30, 2021	August 03, 2024	3 years
5	September 30, 2021	October 30, 2021	August 03, 2024	3 years
6	December 31, 2021	March 1, 2022	August 03, 2024	2 years
7	March 31, 2022	April 30, 2022	August 07, 2024	2 years
8	December 31, 2022	March 1, 2023	August 07, 2024	1 year
9	March 31, 2023	April 30, 2023	August 03, 2024	1 year
10	September 30, 2023	October 30, 2023	August 03, 2024	1 year
11	December 31, 2023	February 29, 2024	August 03, 2024	6 months

3. The QFS for the aforesaid periods were also not posted on the website of the Company (apart from periods ended September 30, 2021, December 31, 2021, September 30, 2022 and March 31, 2023). The Respondents therefore, contravened the provisions of Section 237 of the Act read with the Circular 24 and Circular No. 11 by failing to prepare and file/transmit



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through e-Services with Registrar/Commission, the above-mentioned QFS, within the stipulated time, and by not posting the same on website of the Company.

4. 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. The Company did not give any response.

5. To provide an opportunity for personal representation, hearings in the matter was scheduled for June 04, 2024. The Respondents neither appeared nor furnished written submission. The matter was fixed for hearing for July 29, 2024 in which Mr. Maqbool Hussain Bhutta - Director/CFO, appeared before the undersigned on behalf of the Respondents as their Authorized Representative (AR) at the scheduled hearing stating that they were facing shifting problems and office address has now changed. Further submitted that March 2024 QFS have been submitted online and previous QFS will also be submitted online. He stated that the Respondents assumed that they don't have to submit QFS with the Commission. There was an inadvertent delay due to lack of knowledge of the Respondents.

6. The relevant provisions of the Act stipulate as under:

*"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).*

*(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."*

7. As regards the matter at hand, I have analyzed the facts of the case on the basis of the relevant provisions of the Act, and the available record. In this regard, it is observed that:

(i) **Whether the Respondent made timely compliance of submitting the QFS?**

No, as per the Commission's record, the Respondent did not make timely compliance with the requirements of Section 237 of the Act for the abovementioned periods. Further, the overdue QFS were filed in August 2024 with a significant delay in violation of provisions of Section 237 of the Act read with Circulars.

(ii) **Whether subsequent compliance absolve the Respondent from default?**

The Subsequent compliance does not absolve the Respondents from the default. There is no exception in law for timely compliance, therefore, Respondent's failure to comply in a timely manner with the afore-said requirements remains a regulatory breach and does not absolve the Respondent from the default.



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(iii) **Whether it is statutory obligation to timely file/transmit QFS?**

Yes, the provisions of Section 237 of the Act are unambiguous and explicit. The timing of the QFS is essence and the disclosure requirements of these QFS have been kept to a bare minimum. The timely preparation and filing/transmission of QFS with Registrar/Commission not only provide to its users a reliable source of information regarding a Company's financial position and performance but also shows the results of the management's stewardship of resources entrusted on to it. In order to ensure compliance, the Respondents have fiduciary duty to ensure that the Company meticulously adheres to the law for preparation and filing/transmission of the QFS in a timely manner. In this context, the Respondents cannot absolve themselves from their statutory duties pertaining to preparation and filing/transmission of the QFS in a timely manner as stipulated under the Act.

(iv) **Whether QFS is source of information for the shareholders?**

Yes, Quarterly Financial Statements (QFS) are a crucial source of information for shareholders/members. They provide timely insights into a company's financial performance and position, allowing shareholders to make informed decisions about their investments. This information helps members to assess the company's overall financial health on a regular basis, ensuring transparency and accountability from the company's management.

In this context, perusal of the Respondent's record transpires that the Respondents failed to prepare and file/electronically transmit the Company's QFS for the periods mentioned above with the Registrar/Commission, pursuant to section 237 of the Act read with the Circular no. 24 and Circular No. 11. Hence, the Respondents deprived the shareholders/members from the key source of information about the Company.

8. In view of above, I have come to the conclusion that the aforesaid 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 timely file/electronically transmit the Company's QFS for the periods mentioned in para 2 with the Registrar/Commission, and by not posting the same (apart from periods ended September 30, 2021, December 31, 2021, September 30, 2022 and March 31, 2023) on the Company's website, within the stipulated timeframe. Therefore, the matter has been concluded on the basis of written as well as verbal submission made and record available with this office, I, in exercise of powers conferred under sub-Section (4) of Section 237 of the Act, hereby impose an aggregate penalty of **Rs. 160,000/- (Rupees One Hundred and Sixty Thousand Only)** on the Respondents as follows:

Sr. #	Name of Respondent	Amount in Rupees
1	Mian Farrukh Naseem	25,000
2	Mian Aamir Naseem	25,000
3	Mr. Maqbool Hussain Bhutta	25,000
4	Mr. Asim Mahmood Bahti (available: 30 Sep 2021 to 30 Sep-23)	20,000



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5	Mr. Muhammad Asghar (retired) (available: 31 Mar 2020 to 31 Mar 2021)	15,000
6	Mr. Muhammad Abbas	25,000
7	Mr. Muhammad Irfan	25,000
<b>Total</b>		<b>160,000</b>

9. 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.

10. Nothing in this Order may be deemed to prejudice the operation of any provisions of the Act providing for imposition of penalties on Respondents in respect of any default, omission or violation thereof.

**Mahboob Ahmad**  
Additional Director/Head of Wing  
Listed Companies Wing,  
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**Announced:**  
October 11, 2024  
Islamabad