



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of Company:	M/s. Redco Textiles Limited
Show Cause Notice No. & Date:	SCN/LCD/Adj-I/164710-722 dated August 18, 2025
Name(s) of Noticee(s):	(i) Mrs. Manizah Saif Khan, Chairperson; (ii) Mrs. Sarah Muhammad Saya, Chief Executive; (iii) Mr. Junaid Khan, Director; (iv) Mr. Irfan Ahmed Siddiqi, Director; (v) Mr. Ahsan Ur Rehman Khan, Director; (vi) Ms. Ayesha Saif Khan, Director; (vii) Mr. Khalid Rehman Khan, Director; and (viii) M/s. Redco Textiles Limited through <i>the Chief Executive</i> .
Date(s) of Hearing(s):	(i) September 29, 2025; and (ii) October 20, 2025.
Case represented by:	(i) Mr. Monim Ul Haq, Chief Financial Officer; and (ii) Mr. Muhammad Amir, Senior Manager Accounts. <i>As the Authorized Representatives of all the Noticee(s).</i>
Provisions of law involved:	Sections 134, 183(3) and 510(2) of the Companies Act, 2017 read with S.R.O. 423(I)/2018 dated April 03, 2018.
Date of Order:	October 24, 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. SCN/LCD/Adj-I/164710-722 dated August 18, 2025 ("SCN") issued to M/s. Redco Textiles Limited (the "Company") and its Board of Directors (the "BOD") including the Chief Executive, hereinafter collectively referred to as the "Noticee(s)", under Sections 134, 183(3) and 510(2) of the Companies Act, 2017 (the "Act") read with S.R.O. 423(I)/2018 dated April 03, 2018 (the "SRO").

2. The provisions of sub-section (3) of Section 183 of the Act provide that the board of a company shall not, except with the consent of the general meeting either specifically or by way of an authorisation, sell, lease or otherwise dispose of the undertakings or a sizeable part thereof unless the main business of the company comprises of such selling or leasing.

3. Similarly, the provisions of sub-section (3) of Section 134 of the Act provide that where any special business is to be transacted at a general meeting, there shall be annexed to the notice of the meeting, a statement setting out all material facts concerning such business. Furthermore, pursuant to the aforesaid SRO, the Commission also directed that, where applicable, a company issuing notice of a general meeting at which special business is to be transacted shall annex a statement containing, at a minimum, the information specified in the SRO.

4. The term 'Special Business', as elaborated in Section 134(2) of the Act, means, in the case of a general meeting, all the businesses to be transacted shall be deemed special, other than- (a) the consideration of financial statements and the reports of the board and auditors; (b) the declaration of any dividend; (c) the election and appointment of directors in place of those retiring; and (d) the appointment of the auditors and fixation of their remuneration.

5. The non-compliances of the aforementioned provisions of Section 134(3) of the Act read with the SRO and Section 183(3) of the Act attract penal provisions provided under Sections 134(12)(a) and

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sub-section (2) of Section 510 read with Section 479 of the Act respectively, which are reproduced below for ready reference:

Section 134(12) of the Act:

"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 3 on the standard scale."

Section 510(2) of the Act:

(2) Any person, who obstructs or contravenes or does not comply with any directive, prudential requirements, codes, circulars or notifications, given under this section shall be liable to a penalty of level 3 on the standard scale."

6. The brief facts of the case are that upon reviewing the notice of Annual General Meeting dated October 05, 2023 (the "AGM Notice") of the Company, it was observed that the Company transacted a special business for obtaining the approval of the shareholders relating to sale of plant and machinery amounting to Rs. 718 million, *constituting 41.8% of property plant & equipment (PPE) and 236% of total equity (as per the financial statement for the period ended June 30, 2023)*; thereby constituting a sizeable part of undertaking as per criteria set out in explanation to Section 183(3) of the Act. However, the Company, *prima facie*, failed to prepare and annex with the AGM Notice a statement of material facts, complete and meeting the requirements of Clause B(5) of the SRO read with Section 134(3) of the Act. Clause B(5) of the SRO clearly required a set of information to be disclosed in respect of disposal of undertaking in terms of Section 183(3) of the Act, where status of compliance is tabulated below:

Requirements as per the SRO	Compliance
i) Details of assets to be sold, leased or disposed of shall include the following	
a) Description/Name of Asset;	Provided
b) Acquisition date of the Asset;	Not Provided
c) Cost;	Not Provided
d) Revalued amount and date of revaluation (if applicable);	Not Provided
e) Book Value;	Provided
f) Approximate current market price/fair value;	Not Provided
g) In case of sale, if the expected sale price is lower than book value or fair value, then the reasons thereof;	Not Provided
h) In case of lease of assets, tenure, lease rentals, increment rate; mode/basis of determination of lease rentals; and other important terms and conditions of the lease;	N/A
i) Additional information in case of disposal of land: (i) Location; (ii) Nature of land (e.g. commercial, agriculture, etc); and (iii) Area proposed to be sold.	N/A
ii) The proposed manner of disposal of the said assets;	Not Provided
iii) In case the company has identified a buyer, who is a related party the fact shall be disclosed in the statement of material facts;	Not Provided
iv) Purpose of the sale, lease or disposal of assets along with following details;	Not Provided
a) Utilization of the proceeds received from the transaction;	Provided
b) Effect on operational capacity of the company, if any; and	Not Provided
c) Quantitative and qualitative benefits expected to accrue to the members.	Not Provided

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7. Furthermore, in a separate instance, the review of notice of Extra-Ordinary General Meeting dated March 12, 2024 (the "EOGM Notice") revealed that the Company proposed to amend object clause of Memorandum of Association (MOA) with respect to change in its principal line of business; where Clause A(2) of the SRO clearly required a set of information. By failing to annex the complete statement of material facts in all respect with the EOGM Notice, the Company failed to disclose necessary information as per the requirements of the SRO. The status of compliance is tabulated below for ready reference:

Requirements as per the SRO	Compliance
i) Existing and proposed principal line of business of the company;	Not Provided
ii) Reasons for change in the principal line of business;	Provided
iii) Benefits likely to accrue to the company and its members from the proposed change;	Provided
iv) Financial projections, including, inter alia, project cost for new proposed principal business, sources of funds to cover the project cost, revenues, expenses etc. along with underlying assumptions;	Not Provided
v) Impact on existing line of business of the company;	Not Provided
vi) Expected time period when proposed change is expected to be implemented; and	Not Provided
vii) A statement by the board that the proposed change will not be detrimental to the interest of the company or its members as a whole	Not Provided

8. In order to probe the matter, the Commission vide letter dated March 04, 2025 sought clarification from the Company with regards to the aforesaid non-compliances, for which the Company in its response vide letter dated March 14, 2025, *inter alia*, submitted that:

"The Company complied with Section 134(3) of the Act in the AGM notice, as the Company proposed the disposal of machinery amounting to Rs. 718 million. The statement of material facts was given as per the SRO. However, the actual disposal amounted to Rs. 292 million, which does not constitute a sizeable part of the undertaking as per Section 183(3) of the Act. As per the SRO, the requirement for disclosure of material facts applies only to a sizeable part of the undertaking. The Company will fully comply with the requirements of the SRO in all such future transactions.

The Company proposed an amendment to its MOA in the EOGM notice to make addition in its principal line of business. The statement of material facts was given as per the SRO with respect to substantial information. Subsequently, the registrar did not approve the same and the MOA was not amended accordingly. In future, the Company will comply with the requirements of the SRO."

9. Having not being satisfied with the aforesaid reply and taking cognizance in the matter, a SCN was served upon the Noticee(s) 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 the Act and the SRO. In response to SCN, the Company Secretary vide letter dated September 01, 2025 requested an extension of thirty (30) days for submitting the reply to SCN, which was duly acceded to. Subsequently, the Company Secretary, vide letter dated September 25, 2025 submitted, *inter alia*, as under:

"In the Annual General Meeting held on October 27, 2023 (AGM), the Company proposed disposal of machinery amounting to Rs. 718 million. Which constitute a sizeable part of the undertaking as per Section 183(3)(ii) of the Act. Actual disposal was of Rs. 292 million which does not constitute sizeable part. The machinery was of spinning unit which was procured to resume spinning unit which was closed since December 2017 due to decline in Textile industry. However, this machinery was not part of our fixed asset schedule for the year ended 2024 as

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evident from financial statements for the year 2024 (Note 5). The machinery lying in packed condition in our stores and was part of store and spare department as evident from Note 8.1 of financial statements. The details of the machinery as under which are missing as per the SRO:

Requirements as per SRO	Details
Acquisition date	26-06-2023
Cost	Rs. 292,056,860
Book Value	Rs. 292,056,860
Current Market Price/Fair Value	Rs. 292,056,860
Sale Price	Rs. 382,297,884
Manner of Disposal	Negotiation
If buyer related party	No
Purpose of Sale	Cash flow Generation for the Company
-Effect of on operational Capacity of the Company	There is not effect on Company operational capacity since this machinery was procured for spinning unit which was closed since 2017.
-Quantitative and Qualitative Benefits expected to Accrue to the member	Due to decline in spinning industry management no benefit in holding this machinery and operate spinning unit. The proceeds will be utilized to invest in weaving machinery or other ventures that will benefit to Company. Holding this machinery avoided the cost of holding idle machinery. The machinery is sold at significant profit of Rs. 90.2 million and this immediate cash flow helped Company to reinvest in more productive assets which will also improve return on assets. Only weaving unit is operational

As evident from above information the machinery was sold over and above of the purchase cost in market situation where spinning industry is under pressure and to locate a potential buyer was huge task. Management still managed to dispose of machinery at the best prices with profit of Rs. 90.25 million. As since machinery was purchased for the spinning section which was already shut down due to huge losses in past, hence its disposal has no effect on operational capacity or profits of the Company. The same information is being shared in AGM with Shareholders and members for their approval. Also proceeds realized were utilized on working capital management of the Company and installation of Solar system, and additional looms for weaving section which will enhance profits and reduce conversion cost significantly.

Hence based on above circumstances which were not intentional as management was unable to attach the complete statement as per the SRO, however all basic procedures were followed and implemented in the best interest of the members and was not intentional and management ensures to address such non-compliances and prevent future occurrence.

Also, with respect to proposed amendment in MOA with respect to change in its Principal line of business the requirement of the SRO was not completely documented, however, followed since EOGM was conducted and shareholders and members were duly informed in meeting about the purpose for change in line of business including benefit accruing to the members and expected implementation time. The same was approved by members in EOGM however registrar subsequently did not approve the amendment therefore, the matter has no legal or operational impact on the company's current or future activities on impact of members of the Company.

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We fully acknowledge the importance of the SRO's and laws in promoting transparency and governance. Compliances were made but not completely documented as per SRO's. It is further submitted that honorable Supreme Court of Pakistan made it cleared in its various cited decisions that penalty can be imposed in case of default made for the purpose of taking benefits and such benefits actually received whereas, in the instant case our Company did not made any willful default with no loss to the Company or its Members. Hence there is no question for imposing penalty and therefore, your good-self is requested to withdraw the SCN issued to our Company and obliged.

We humbly request to kindly consider our genuine circumstances and the corrective steps taken, and to exercise leniency by waiving any penalties or adverse action under the said regulations."

10. In order to provide an opportunity for personal representation and to meet the ends of justice, a hearing in the matter was fixed for September 29, 2025 which was adjourned on the request of the Company Secretary vide a request letter dated September 25, 2025.

11. In order to conclude the matter in a bona-fide manner, another hearing was fixed for October 20, 2025; wherein Mr. Monim Ul Haq, Chief Financial Officer; and Mr. Muhammad Amir, Senior Manager Accounts, appeared as the "Authorized Representatives" on behalf of the Noticee(s). During the hearing, the Authorized Representatives reiterated the response earlier furnished to the SCN and, *inter alia*, submitted that the Company had partially complied with the requirements of the SRO, as it sold the machinery with the shareholders' approval and the value of the machinery sold was not material. Furthermore, they added that all information required under the SRO was available and that the shareholders were duly informed. Moreover, with respect to the change in the principal line of business, the Company had partially complied with the requirements of the SRO, and since the Registrar subsequently did not approve the same, it had no legal and financial impact on the Company's operations as the MOA remain unchanged. The Authorized Representatives assured that due compliance with the regulatory requirements of the SRO would be ensured in the future and also requested leniency in the instant matter.

12. The Authorized Representative, subsequent to the hearing, vide an even dated email submitted documents including the Minutes of AGM and attendance, and E-voting results.

13. I have gone through the relevant provisions of Section 134 and Section 183(3) of the Act, and Clause A(2) and B(5) of the SRO and considered the facts of the case along with the available record of the Company as well as the written and the verbal submissions of the Noticee(s) through their Authorized Representatives. I have also perused Sections 134(12)(a) and sub-section (2) of Section 510 of the Act respectively, which stipulate penal provisions for contravention of the afore-referred provisions of law. It is important to observe that Section 134(3) of the Act requires that when any special business is to be transacted at a general meeting, a statement of material facts must be annexed to the notice of the meeting. This statement is essential to disclose all relevant details about the special business, including the nature and extent of any interest, whether direct or indirect, of every director. This provision ensures comprehensive disclosure, allowing shareholders to understand the full implications of the special business; thereby fostering informed decision-making and accountability which may have a direct impact upon their decisions. It is also pertinent to observe that the requirements of law are unambiguous and mandatory in nature, leaving no room for acting otherwise. Similarly, Section 183(3) of the Act embodies the principle that the *sale, lease, or disposal of the company's undertaking or a sizeable part thereof* is a matter of such fundamental importance that it cannot be left solely to the discretion of the Board. It requires specific consent of the shareholders in a general meeting, supported by full disclosure of the relevant facts. This ensures that the ownership interest of shareholders is respected and that significant corporate decisions are made with their explicit approval, based on complete and accurate information which would enable their right to make informed decisions.

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14. Clause B(5) of the SRO pertains to the disposal of an undertaking or a sizeable part thereof and mandates disclosure of critical information such as description, cost, book value, fair value, proposed manner of disposal, purpose, utilization of proceeds, and effect on operational capacity. Such details are essential for evaluating whether the proposed transaction aligns with the company's long-term interests and shareholder value.

15. Furthermore, Clause A(2) of the SRO relates to the change in principal line of business and requires companies to disclose the existing and proposed line of business, reasons for change, expected benefits, financial projections, and a statement from the Board confirming that such change will not be detrimental to the interests of members. These disclosures enable shareholders to assess the strategic rationale and financial implications of the proposed change before approving it.

16. In the instant case, it is an admitted fact that the Company, while transacting the special business relating to disposal of machinery amounting to Rs. 718 million, failed to annex with the AGM Notice a complete statement of material facts containing the information required under Clause B(5) of the SRO read with Section 134(3) and 183(3) of the Act. The assertion of the Authorized Representatives that the actual disposal was only Rs. 292 million and therefore did not constitute a sizeable part of the undertaking, is not tenable. The determinative point for compliance under Sections 134(3) and 183(3) of the Act is the nature of the special business proposed in the AGM Notice, not the post-facto execution or quantum of actual sale. Once the Board proposed to sell machinery valued at Rs. 718 million (constituting 41.8% of PPE and 236% of total equity), it was incumbent upon the Noticee(s) to annex a statement fully compliant with the SRO.

17. The Authorized Representatives' plea that the omission was unintentional and that the shareholders were verbally apprised of the details in the meeting cannot substitute the mandatory statutory disclosure required to be made in the written statement of material facts circulated with the notice. The purpose of law is to ensure prior dissemination of information so that members may evaluate the proposal before voting, not during or after the meeting. Verbal or partial disclosures are neither a valid nor lawful compliance with Section 134(3) of the Act and the SRO.

18. Furthermore, with respect to the EOGM notice concerning the amendment in the principal line of business, the Company failed to disclose essential particulars mandated under Clause A(2) of the SRO, including financial projections, expected implementation period, and the Board's statement regarding non-detriment to members' interests. The argument of the Authorized Representatives that the Registrar's subsequent non-approval rendered the matter is not tenable. The obligation to comply with disclosure requirements arises at the time of issuance of the EOGM notice, the subsequent non-approval of the same does not absolve the Noticee(s) from its statutory responsibilities which should have been undertaken at the time of issuance of the statement of material facts.

19. The Authorized Representatives' reliance on judicial precedents regarding the necessity of *mens rea* or wrongful gain for imposition of penalty is also untenable. The regulatory framework under the Act and the SRO aims to enforce compliance through deterrence and does not predicate liability upon proof of mala fide intent or benefit derived. The failure to comply with the requirements of regulatory framework as stipulated in the law whether deliberate or negligent constitutes a contravention under the law. It is pertinent to observe that even otherwise, the premise of establishing a 'guilty intent' is necessitated only in adjudicatory cases of criminal nature. Reliance is placed on the case cited as 2014 CLD 299 and on the Order passed by the Appellate Bench of the Commission in Appeal No. 8 of 2012 i.e. Zephyr Textiles Mills Limited vs Head of Department (Enforcement), wherein it was *inter alia* held that:

"We place our reliance on Principle of Statutory Interpretation, by Justice G.P. Singh (7th edition, Chapter 11, page 653 & 659, published by Wadhwa & Company Nagpur) to expound on the issue of mens rea that;existence of a guilty intent is an essential ingredient of a crime

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at common law and the principle is expressed in the maxim- Actus non facit reum nisi mens sit rea...penalty imposable under an Act for breach of civil obligation by an adjudicatory proceeding which is not criminal in nature does not attract the rule that mens rea is essential before a penalty could be imposed".


20. In view of the aforesaid, I am of the considered view that contraventions of the requirements of Section 134(3) of the Act read with the SRO and Section 183(3) of the Act have been established beyond doubt, which in resulted in rendering the approval obtained through the special resolution affected. The aforesaid violations of law attract penal action in terms of Sections 134(12)(a) and 510(2) read with Section 479 of the Act. Moreover, I have also considered the assurance provided by the Authorized Representatives on behalf of the Noticee(s) regarding the exercise of greater vigilance in adhering to legal and regulatory requirements in the future. I, therefore, in exercise of the powers conferred upon me under Section 134(12)(a) and Section 510(2) of the Act read with Section 479 of the Act and SRO 1545(I)/2019 dated December 06, 2019, hereby conclude the instant proceedings by imposing an aggregate penalty of **Rs. 150,000/- (Pak Rupees One Hundred and Fifty Thousand Only)** on the Noticee(s) in the following manner:

S. No.	Name of Noticee(s)	Violation w.r.t AGM Notice	Violation w.r.t EOGM Notice
1	Mrs. Manizah Saif Khan, Chairperson	10,000/-	5,000/-
2	Mrs. Sarah Muhammad Saya, Chief Executive	10,000/-	5,000/-
3	Mr. Junaid Khan, Director	10,000/-	5,000/-
4	Mr. Irfan Ahmed Siddiqi, Director	10,000/-	5,000/-
5	Mr. Ahsan Ur Rehman Khan, Director	10,000/-	5,000/-
6	Ms. Ayesha Saif Khan, Director	10,000/-	5,000/-
7	Mr. Khalid Rehman Khan, Director	10,000/-	5,000/-
8	M/s. Redco Textiles Limited	30,000/-	15,000/-
Total		100,000/-	50,000/-

The Noticee(s) are further advised to ensure meticulous compliance with the applicable legal and regulatory framework in the future.

21. The Noticee(s) 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 ("SECP Act").

22. Without prejudice to the above, in case the Noticee(s) are aggrieved by this Order may, within thirty (30) days of the Order, may prefer to file review application in terms of Section 32B of the SECP Act or may file an appeal to Appellate Bench of the Commission in terms of Section 33 of the SECP Act in accordance with the procedure for filing an appeal as laid down under the Securities and Exchange Commission of Pakistan (Appellate Bench Procedure) Rules, 2003.


 24-10-2025
 Sohail Qadri
 Director/ HOD
 Adjudication Department-I

Announced:

Dated: October 24, 2025

Islamabad

