



# 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/203/2015-184 dated March 28, 2024

Hearing Dates: May 3, 2024, May 14, 2024, June 4, 2024

Present: No one personally appeared in the hearings

### 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 dated March 28, 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 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.	September 30, 2023	October 30, 2023

3. Moreover, 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 No. 11 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, no reply was received within the allowed time.



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4. In order to provide opportunity of personal representation, the hearings in the matter were fixed to be held on May 3, 2024, however, no one appeared. In this regard, through letter dated May 7, 2024, the Company sought two week extension to submit a reply to the SCN. Thereafter, the hearing was fixed to be held on May 14, 2024. The Respondents again did not prefer to attend the hearing, however, through letter dated May 18, 2024, Hafiz Abdul Majid, Chief Executive, *inter alia*, submitted that:

- The delay in filing of the QFS for the period ended September 30, 2023 is due to delay in convening of annual general meeting for the year ended June 30, 2023.
- The real problem faced by the Company was Covid-19 and its after effect which covered four long years beginning from 2020. It was an epidemic which effected the Company. The deaths and leaving of jobs by specialized employees created vacuum in all fields. Thereafter, the Company has overcome this issue.
- It is expected that the AGM of the Company would be convened shortly and all the matters would be streamlined.
- The Commission had already imposed penalties for non-holding of the AGM for the year ended June 30, 2023.
- The QFS for the period ended September 30, 2023 cannot be prepared and approved before approval of annual accounts as on June 30, 2023. It is, therefore, requested to allow submit the QFS as on September 30, 2024, following submission of annual accounts for the year ended June 30, 2023.
- Kindly withdraw the SCN without imposing any penalty as the Company is in financial crisis.
- It is also requested to kindly consider this reply as full & final and to take decision on the basis of this letter.

5. Next hearing in the matter was fixed for June 4, 2024. The Chief Executive through letter dated May 31, 2024 again stated that: *"In this regard, the undersigned already submitted our full & final reply dated May 18, 2024 and requested your goodself to take decision on the basis of this reply."* The Commission through email dated July 4, 2024 requested the Company to furnish duly endorsed authority letter/ power of attorney of all the Respondents to the SCN, in support of reply dated May 18, 2024 submitted by the Chief Executive. The Commission again through email dated August 16, 2024 reminded to furnish authorization of the Respondents, however, no reply was received. The Respondents in this regard neither furnished any authorization nor preferred to attend various hearings as stated above. Therefore, the instant proceedings are being concluded based on the available record.

6. As regards the matter at hand, I have analyzed the matter at hand, relevant provisions of the Act, and the arguments as well as the written correspondence available on record. In this regard, it is observed that:



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(i) **Whether it is statutory obligation to 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. The QFS prepared accurately and in a timely manner 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.

(ii) **Whether QFS is a key source of information for the stakeholders:**

The preparation and transmission of QFS within the stipulated timeframe rests with the Respondents. In this context, perusal of Company's records transpires that they failed to prepare and file/electronically transmit the Company's QFS for the period ended on September 30, 2023 pursuant to Section 237 of the Act read with the Circular. The default persists till date.

The Respondent Chief Executive has placed reliance that the delay is attributed to delay in holding of AGM for the year ended June 30, 2023. He asserted that the Company was facing hardship due to Covid-19 since 2020. The Company also sought time till September 30, 2024 to ensure compliance.

I am of the view that the Respondents have deprived the shareholders of their statutory right to receive QFS of the Company within the stipulated time. Hence, the violation of the provisions of Section 237 of the Act read with the Circular is attracted for the cited default. Moreover, 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 proceedings. 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 seeking relaxation in time for transmission of the aforesaid QFS falls under the instant proceedings**

With respect time sought till September 30, 2024, by the Respondent Chief Executive in order to prepare QFS under Section 237 of the Act, the extension in time, on filing of the application, can be granted for a period of 30 days only in respect of first quarter of the financial year. Further, such relaxation does not fall under the purview of the instant



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proceedings and the Respondent (Chief Executive) has not proceeded in accordance with the provisions of Section 237(1) of the Act.

(iv) **Past history reflects non-compliances with respect to Section 237 of the Act:**

The available past record of the Company reflects non-compliances of the provisions of Section 237 of the Act as the Company failed to transmit the QFS in compliance of Section 237 of the Act for the quarters during the period from September 30, 2021 till March 31, 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 period ended September 30, 2023 within the stipulated timeframe. Therefore, in exercise of powers conferred under sub-section (4) of Section 237 of the Act, I hereby impose an aggregate penalty of **Rs. 140,000/- (Rupees One Hundred Forty Thousand only)** on the Respondents as follows:

S. No.	Name of the Respondent	Amount of Penalty (PKR)
1	Hafiz Abdul Majid, Chief Executive	10,000/-
2	Mr. Talal Yousaf Mohammad Najibi, Director	10,000/-
3	Mr. Nabil Abdul Rahman Ahmad Arif, Director	10,000/-
4	Mr. Fahad Abdul Aziz Eshaq Al Shaikh, Director	10,000/-
5	Hafiz Abdul Waheed, Director	10,000/-
6	Hafiz Abdul Sami, Director	10,000/-
7	Hafiz Abdul Haseeb, Director	10,000/-
8	Hafiz Abdul Aleem, Director	10,000/-
9	Mr. Muhammad Hafiz, Director	10,000/-
10	Mr. Arshad Ahmed, Director	10,000/-
11	Mr. Asghar Imran Khalid, Director	10,000/-
12	Ms. Javeria Sami, Director	10,000/-
13	Mr. Nasir Mahmood, Director	10,000/-
14	Mr. Muhammad Anwar Khan, CFO	10,000/-
<b>Total</b>		<b>140,000/-</b>

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.



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9. 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:** September 3, 2024  
**Islamabad**

