



# 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*

**Hira Textile Mills**

Number and Date of SCN: CSD/ARN/532/2018  
dated June 27, 2024

Hearing(s) Dates: August 09, 2024

**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/532/208 dated June 27, 2024 (the SCN) issued under Section 237(4) of the Companies Act, 2017 (the Act) and Section 479 thereof read with Circular No.11 dated August 11, 2023 (Circular 11) against the board of directors and Chief Financial Officer (CFO), hereinafter collectively referred to as the Respondents, of Hira Textile 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 period, within the stipulated time:

| S.No. | Period Ended   | Due on         |
|-------|----------------|----------------|
| 1     | March 31, 2024 | April 30, 2024 |

3. The QFS for the aforesaid period was also not posted on the website of the Company. The Respondents, *prima facie*, contravened the provisions of Section 237 of the Act read with the Circular 11 by failing to prepare and file/transmit 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 Respondents vide Consultant letter dated July 12, 2024 requested for extension in time to provide a written reply to the SCN.

5. The Respondents via Consultant letter dated July 31, 2024 provided written response to the SCN, the relevant extract of which is provided as under:



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*"In this connection, it is clarified that Mr. Saeed Ahmad Khan and Mr. Shaukat Nazir Malik have resigned as directors of the Company with effect from August 28, 2023 and October 26, 2023 as filed by the Company with the Registrar. Therefore, it is requested that show cause proceedings initiated against Mr. Saeed Ahmad Khan and Mr. Shaukat Nazir Malik be withdrawn at ab-initio.*

*We hereby submit our reply to the show cause notice issued to directors and Chief Executive of the Company*

- 1. It is submitted that the Company recognizes the importance of complying with relevant provisions of law and dissemination of information to the shareholders. However, the Company has been facing various challenges including change in management and financial distress and abrupt resignation by the Chief Financial Officer of the Company. These factors caused adverse effect on the Company's ability to ensure various corporate compliances and other operations and performance of the Company. It is pertinent to mention that the Company has always be complied with the statutory requirements and always filed audited and interim financial statements within stipulated period.*
- 2. The Company, in recent times, has re-hired some key personals, who were managing the Company efficiently in the past. This may take some time, but the management is willing to work, day and night, in order to revive the company and ensuring a smooth turnaround.*
- 3. It is submitted that the Company had dispute with outgoing auditors regarding payment of fees and some other matters owing to which they have un-necessarily withheld issuance of no objection to incoming auditors despite payment of significant amount to outgoing auditors. It is to apprise that the issue with the outgoing auditors has been resolved in recent days and now the Company is in the process of commencing half yearly review for the period ended December 31, 2022 and accordingly annual audit for the year ended June 30, 2023. As soon as the half yearly review is finalized; interim financial statements for the period ended March 31, 2023 would be disseminated to the shareholders and regulators and whereas interim financial statements would be followed by issuance of annual accounts for the year ended June 30, 2023.*
- 4. It is pertinent to mention that the Company is in the process of finalizing its overdue financial statements for the period ended December 31, 2022 and March 31, 2023 and June 30, 2023 and as soon as this process is completed, the same shall be disseminated to all concerned including members, the Registrar, Pakistan Stock Exchange. Thereafter the Company shall be able to prepare and disseminate its quarterly financial statements for the period ended September 30, 2023, December 31, 2023 and March 31, 2024.*
- 5. It is assured that the Company is trying its level best to strategize a plan to implement recovery and deal with every issue and non – compliance at the earliest possible. We always aimed to carry out our business in the most transparent manner whilst complying with all regulatory and statutory requirements and dill continue to abide by all regulations of the Commission.*

*As explained above, the circumstances were beyond the control of the management and abrupt separation of certain key staff members which led to mishandling of the respective staff with the auditors and resultant', the matter led to non-finalization of half yearly review of the Company for the period ended December 31, 2022 and annual audit for the year June 30, 2023. It is submitted that the Company's non-compliance to Section 237 of the Companies Act, 2017 is inadvertent and beyond the control of the management.*



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*We always aimed to carry out our business in the most transparent manner whilst complying with all regulatory and statutory requirements and will continue to abide by all regulations of the Commission.*

*In view of the above respectful submissions, it is earnestly requested that the above referred show-cause notice be withdrawn."*

6. To provide an opportunity for personal representation, hearing in the matter was scheduled for July 30, 2024. However, the Respondent vide its Consultant letter dated July 12, 2024 requested for extension in the hearing proceedings. Another hearing was fixed for August 09, 2024, during which Mr. Imran Bashir (Consultant) appeared as the authorized representative (**the Representative**) on behalf of the Respondents. During the hearing, the Representative reiterated the written response previously submitted and explained the delay in QFS filing. He stated that the delay was due to multi faced challenges faced by the Company including change in its management and financial distress and abrupt resignation by the Chief Financial Officer of the Company. The Company has recently re-hired some key personals who were managing the Company efficiently in the past. Further, there were also disputes with the outgoing auditor as explained in their written reply and now the Company is in the process of commencing half yearly review for the period ended December 31, 2022 and accordingly annual audit for the year ended June 30, 2022. As soon as the half yearly review is finalized, the interim financial statements for the period ended March 31 2023 would be disseminated to the shareholders and the regulator in terms of the relevant provisions of the law.

7. 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."*

8. 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 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



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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 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 Company's record transpires that the Respondents failed to prepare and electronically transmit the Company's QFS for the period ended March 31, 2024 pursuant to section 237 of the Act read with the Circular 11. Hence, the Respondents deprived the shareholders/members from the key source of information about the Company.

**(iii) Whether the claim that the two directors were not on the board of the Company during the period of default is tenable?**

The Respondents claimed that two directors, Mr. Saeed Ahmad Khan and Mr. Shaukat Nazir Malik, had resigned from their positions, implying that they should not be held liable for the delay in filing/transmitting the QFS. However, based on the available information from the relevant Company Registration Office (CRO), the aforementioned directors were part of the board during the relevant period, from March 21, 2024 to April 30, 2024, and are consequently liable for penal action under Section 479 of the Act and cannot be absolved from the cited default.

**(iv) Whether justified reasons provided for the delay in filing/transmitting the QFS?**

The Respondents have attributed the delay in filing/transmitting the QFS to several factors, including a change in management, financial distress, the abrupt resignation of the Chief Financial Officer, and disputes with the outgoing auditors. They argue that these circumstances were beyond their control and adversely affected the Company's ability to meet its statutory obligations. The justifications provided do not absolve the Respondents of their responsibility to comply with the legal requirements for timely submission of financial statements. Therefore, the reasons cited do not sufficiently justify the delay in fulfilling the obligations under Section 237 of the Act.

9. In view of above, I have concluded 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 file/electronically transmit the Company's QFS for the period



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ended March 31, 2024 with the Registrar/Commission. Therefore, I, in exercise of powers conferred under sub-Section (4) of Section 237 of the Act, hereby impose an aggregate penalty of **Rs. 140,000/- (Rupees One Hundred and Forty Thousand only)** on the Respondents as follows:

| Sr. # | Name of Respondent            | Amount in Rupees |
|-------|-------------------------------|------------------|
| 1     | Muhammad Tariq                | 20,000           |
| 2     | Zainab Malik                  | 20,000           |
| 3     | Dr. Azhar Waheed              | 20,000           |
| 4     | Muhammad Awais Qarni Chaudhry | 20,000           |
| 5     | M. Hasnain Saeed Sohbin       | 20,000           |
| 6     | Saeed Ahmed Khan              | 20,000           |
| 7     | Shaukat Nazir Malik           | 20,000           |
| Total |                               | 140,000          |

10. 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.

11. 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,  
Adjudication Department - I

**Announced:**  
September 06, 2024  
Islamabad

