



Corporate Supervision Department
Company Law Division

Before Mr. Abid Hussain –Executive Director (CSD)

In the matter of

Al-Qaim Textile Mills Limited

Number and date of SCN: CSD/ARN/221/2015-356-63 dated August 5, 2016

Date of hearing: August 23, 2016, September 21, 2016, March 16, 2017,
December 5, 2017, December 26, 2017, January 23, 2018 and
February 22, 2018

Present: Mr. Nazir Shaheen, CEO, Nazir Ahmed Shaheen Associates
Mr. Muhammad Atif, Nazir Ahmed Shaheen Associates
(Authorized Representatives)

ORDER

UNDER SECTION 245 READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984

This order shall dispose of the proceedings initiated against the following directors including the chief executive officer (*the "respondents"*) of Al-Qaim Textile Mills Limited (*the "Company"*):

- | | | | |
|---|-----------------------|---|-------------------------------|
| 1 | Mr. Muhammad Ali Awan | 5 | Mr. Imran Haider Awan |
| 2 | Haji Shaukat Ali Awan | 6 | Mr. Ayyaz Hussain |
| 3 | Mr. Naeem Mustafa | 7 | Mr. Syed Muhammad Taqqi Rizwi |
| 4 | Mr. Hasan Ali | 8 | Mr. Khurram Mustafa |

2. The proceedings against the respondents were initiated through show cause notice dated August 5, 2016 (*the "SCN"*) under the provisions of section 245 read with section 476 of the Companies Ordinance, 1984 (*the "Ordinance"*).



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3. The brief facts of the case are that the Company did not file quarterly accounts for the following periods with the Commission, in a timely manner as per requirements of section 245 of the Ordinance:

| Quarter Ended | Due on |
|---------------|-----------|
| 31-Dec-15 | 28-Feb-16 |
| 31-Mar-16 | 31-Apr-16 |

Consequently, the SCN was issued to the respondents wherein they were called upon to show cause in writing within fourteen days as to why penal action may not be taken against them under sub-section (3) of section 245 of the Ordinance for not filing the aforesaid quarterly accounts with the Commission in a timely manner, as per requirements of the law.

4. The hearings in the matter were repeatedly fixed however, Mr. Nazir Ahmed Shaheen, the authorized representative appeared on behalf of the Company on hearing fixed on March 16, 2017. A written submission was also submitted in this regard. It was submitted that the Company had been in crisis and facing financial problems since long. It was not in a position to pay wages to its workers, which has resulted in staff shortage. All these factors resulted in delay in finalization of audit of quarterly accounts. Moreover, the AGMs for the years 2015 & 2016 were also not held within prescribed time because of non-finalization of quarterly accounts. The authorized representative reiterated the fact stated therein and requested for three months' time for audit of accounts for the year ended 2015 & 2016 and holding of AGMs for the same years.

5. The hearing was fixed for December 5, 2017 wherein the authorized representative again appeared and requested for more time. One week time was allowed accordingly. The matter was re-fixed for December 26, 2017. A written reply was received on behalf of the Company wherein facts stated in the earlier submissions were once again stated. It was submitted that the business activities of the Company had been stopped and the mill was closed, it had been facing financial problems. The chief executive officer in the written submission requested for four months' time to comply with the mandatory requirements of law. Hearing in the matter was held on December 26, 2017 wherein Mr. Muhammad Atif, from Nazir Shaheen Associates appeared on behalf of the Company and requested for four months' time.



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6. The final hearing was held on February 22, 2018, the authorized representative again appeared before the undersigned. He submitted that the audit could not be completed due the staff shortage and halted business activities. The authorized representative further submitted that no progress could be made in audit of accounts nor the AGMs were held. The management is planning to sell the mill since it has not been running for a long time. He also stated that one of the creditors of the Company has proceeded with winding up of the same, however, the authorized representative was unable to present any evidence or update in this regard.

7. Before proceeding further, it is necessary to advert to the following relevant provisions of the Ordinance.

In terms of sub-section (1) of section 245 of the Ordinance read with Commission's circular no. 9 dated March 19, 2003, all listed companies are, *inter alia*, required to file their quarterly accounts with the Commission within stipulated time i.e. one month from the close of first and third quarters and two months from the close of second quarter.

Sub-section (3) of section 245, *inter alia*, provides as under:

(3) If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief accountant of the company who has knowingly by his act or omission been the cause of such default shall be liable to a fine of not exceeding one hundred thousand rupees and to a further fine of one thousand rupees for every day during which the default continues.

In terms of the Commission's notification SRO 751(I)/2017 dated August 2, 2017, the powers to adjudicate cases under section 245 have been delegated to the Executive Director (Corporate Supervision Department).

8. I have analyzed the facts of the case, relevant provisions of the Ordinance, and submissions made by the respondents. Before deciding upon on matter, I would like to highlight that the requirement to circulate interim accounts was introduced so that the shareholders could have timely access to information about the affairs of companies. Keeping in view the fact that timing of quarterly accounts is of essence the disclosure and audit requirements of these accounts



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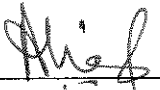
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have been kept to a bare minimum. Quarterly accounts prepared properly and in a timely manner not only provide to its users a reliable source of information regarding a company's financial position and performance but these also show the results of management's stewardship of resources entrusted to it. In order to ensure transparency, all the companies must meticulously follow the legal requirement for preparing and circulation of interim accounts. In addition to their responsibility of overseeing and managing affairs of the Company, directors also have fiduciary duties towards the Company and its shareholders. They are, therefore, liable to a higher level of accountability which requires them to be vigilant and perform their duties with care and prudence. It is directors' responsibility to oversee the functioning of the company, to keep it appropriately staffed and organized to ensure due compliance of law.

9. It is clear that the aforesaid quarterly accounts of the Company have not been filed till date. This reflects a total disregard of the applicable legal framework by respondents which is not befitting to directors of a public listed company in their fiduciary capacity as caretakers of the investment of the minority shareholders. Keeping in view of the above, I, hereby impose a fine of Rs. 10,000 (Rupees ten thousand only in aggregate) on the chief executive of the Company for violation of section 245 of the Ordinance and warn the rest of the respondents to be careful in future and comply with the provisions of law in letter and spirit.

The aforesaid fines must be deposited in the designated bank account maintained with MCB Bank Limited in the name of the "Securities and Exchange Commission of Pakistan" within thirty days from the receipt of this order and receipted bank vouchers must be furnished to the Commission. In case of non-deposit of the fine, proceedings for recovery of the fines as arrears of land revenue will be initiated. It may also be noted that the aforesaid fines are imposed on the Chief Executive in his personal capacity; therefore, he is required to pay the said amount from personal resources.


ABID HUSSAIN
Executive Director
Corporate Supervision Department

Announced:
May 31, 2018
Islamabad