

Before

Amir M. Khan Afridi, Director/Head of Department

In the matter of

Blessed Textiles Limited

Date of Hearing

December 13, 2021

Order-Redacted Version

Order dated April 14, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Blessed Textiles Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show Cause Notice dated September 06, 2021
2. Name of Company	Blessed Textiles Limited
3. Name of Individual*	The proceedings were initiated against the Board of Directors of the Company.
4. Nature of Offence	The directors, by virtue of their respective directorship and/or shareholding in the associated companies, being interested in the transactions with the associated companies; however, failed to disclose their interest, which, <i>prima facie</i> , is contravention of Section 205 of the Companies Act, 2017 (the Act). The interested directors also failed to abstain from participating in proceedings on the agenda items of the Board meeting, wherein they had interest which is violation of sub-section (1) of Section 207 of the Act. Despite the fact that majority of the directors were interested in the transactions, the transactions were not laid before the general meeting for approval, which is violation of sub-section (2) of Section 207 of the Act. In view of the above, proceedings under Sections 205, 207 and 479 of the Act were initiated against the Respondents through serving the SCN.
5. Action Taken	Key findings are given as hereunder: I have analyzed the facts of the case, relevant provisions of the Act, arguments put forth by the Authorized Representatives and written replies submitted. At the outset, it is pointed out that the Respondents did not deny the fact that in the Board meeting held on September 29, 2020; transactions as mentioned in para 3 above, pertaining to ***, ***, were unanimously approved by the Board. The aforesaid transactions were related to *** amounting to Rs. 501.356 million (2019: Rs. 449.061 million); *** amounting to Rs. 1,295.084 million (2019:1,325.40 million); and *** amounting to Rs. 22.429 million (2019: 103.602 million). The said transactions were material in nature which were executed during

the financial year 2020. It has been observed that all the Respondents were interested in these transactions executed with ***; owing to their directorship as well as shareholding; except the following:

- a. ***, who are shareholders only in ***, and
- b. *** who are neither shareholder nor director in ***

It is hereby pointed out that in terms of the proviso to sub-section (1) of Section 205 of the Act; the Respondents were interested due to their common directorship or having shareholding in the aforesaid associated companies. The Respondents did not disclose their interest (direct or indirect) in the aforesaid transactions or arrangements and rather participated in the Board meeting held on September 29, 2020 and unanimously approved the aforesaid transactions. The interested directors in their capacity as directors of the Company were duty bound to give disclosure of their interest in the transactions with the associated companies. However, they failed to disclose their interest and thereby violated Section 205(1) of the Act. Moreover, the interested directors, owing to their common directorship and shareholding in associated companies, were not allowed to participate and approve these transactions with the associated companies, in the Board meeting dated September 29, 2020. By participation in the proceedings of the aforesaid transactions, the interested directors have contravened the provisions of Section 207 of the Act. The Respondents have not contested the violations of Section 205(1) of the Act and Section 207 of the Act.

In view of the foregoing, I am of the considered opinion that the Respondents have violated the provisions of

- c. Section 205(1) of the Act by not disclosing their interest in the transactions executed with ***; and
- d. Section 207 of the Act by participating and approving the transactions with ***.
- e.

With regard to the ***, it is pointed out that since these Respondents are neither shareholders nor directors in ***, so provisions of Section 205 and 207 of the Act are not applicable on them on account of transactions executed with ***.

With regard to the submission of the Respondents that subsequent to issuance of SCN, the members of the Company in annual general meeting held on October 27, 2021 has approved and ratified the said related party transactions with ***, it is stated that this stance of the Respondents does not substantiate their case of cited non-compliances of the requirements of Section 205(1) and Section 207 of the Act.

Keeping in view the fact that provisions of Section 205(1) and Section 207 of the Act are violated hence I, in terms of the powers conferred under Section 205(6) and Section 207(4) of the Act, hereby, impose

	<p>aggregate penalty of Rs. 162,000/- (Rupees One Hundred and Sixty Two Thousand only) on the Respondents.</p> <p>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 of the date of this order and furnish receipted bank vouchers to the Commission. In case of non-deposit of the said penalty, proceedings under Section 485 of the Act will be initiated for recovery of the same as arrears of land revenue. It may also be noted that the said fines are imposed on Respondent in personal capacity, therefore, is required to pay the said amount from personal resources.</p> <p>Nothing in this Order may be deemed to prejudice the operation of any provision of the Regulations/Act providing for imposition of penalties in respect of any default, omission or violation of the Regulations/ Act.</p>
6. Penalty Imposed	The penalties were duly deposited.
7. Current Status of Order	No Appeal was filed.