



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

Before

Shahzad Afzal Khan – Director/Head of Department

In the Matter of

Hira Textile Mills Limited

Number and Date of SCN: CSD/ARN/532/2018-362 dated December 12, 2023

Dates of Hearings: January 22, 2024 and January 29, 2024

Present: Mr. Imran Bashir

ORDER

UNDER SECTION 132 OF THE COMPANIES ACT, 2017 READ WITH SECTION 479 THEREOF

This Order shall dispose of the proceedings initiated against Hira Textile Mills Limited (the Company), its Board of Directors and its Company Secretary (collectively referred to as the Respondents) through Show Cause Notice CSD/ARN/532/2018-362 dated December 12, 2023 (the SCN) issued under Section 132 of the Companies Act, 2017 (the Act) read with Section 479 thereof.

2. Brief facts of the case are that in terms of sub-section (1) of Section 132 of the Act, the Company was required to hold its Annual General Meeting for its financial year ended June 30, 2023 (the AGM) within a period of one hundred and twenty (120) days following the closure of the said Financial Year (FY).

3. As per record of this office, the Company had failed to hold its AGM for FY2023 within the afore-stated time period. The Company's failure to hold the said AGM within the stipulated time period attracts applicability of the penal provisions of sub-section (5) of Section 132 of the Act read with Section 479 thereof. Therefore, taking cognizance of the alleged non-compliance, proceedings were initiated against the Respondents through serving the SCN requiring them to show cause in writing, as to why action, as provided, should not be initiated against them.

4. On behalf of the Respondents, Mr. Imran Bashir, as their Authorized Representative (the Representative), through letter dated January 22, 2024, submitted as follows:

- *The Company does recognize the importance of corporate compliances and has been trying its level best to ensure that any applicable laws and statutory regulations are complied with. However, the Company is facing various issues such as change in management, including the abrupt resignation of the Chief Financial Officer and financial distress.*



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- The management is making its full efforts to revive the Company and ensure all regulatory and corporate compliances. In recent times the Company has re-hired key resources 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 do so. It is pertinent to mention that the management of the company has entered into negotiations with the banking companies for restructuring of long term and short term debt including accrued interest thereon. The management has successfully negotiated with some banks for restructuring of short term debt and long-term finances, including accrued interest whereas negotiations with some other banking companies is in advance stage.

5. To provide opportunity of personal representation, hearing in the matter was fixed for January 22, 2024, however, the hearing was adjourned. Subsequently, hearing was re-fixed for January 29, 2024, wherein, the Representative appeared before the undersigned and submitted that:

- The CFO of the Company had resigned and there was shortage of senior staff.
- The Company has taken steps and senior staff has been hired now.
- Requested to condone the proceedings in the light of the afore narrated facts giving a binding assurance to future adherence to all the applicable laws.

6. Relevant provisions of the law are reproduced hereinunder:

Sub-section (1) of Section 132 of the Act:

"Every company, shall hold, an annual general meeting within sixteen months from the date of its incorporation and thereafter once in every calendar year within a period of one hundred and twenty days following the close of its financial year. -

Provided that, in the case of a listed company, the Commission, and, in any other case, the registrar, may for any special reason extend the time within which any annual general meeting, shall be held by a period not exceeding thirty days."

Sub-section (5) of Section 132 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 2 on the standard scale."

7. I have considered the facts of the case in light of the relevant provisions of the Act, and the information available on record and state that:

- (i) Holding of AGM is a vital statutory requirement as it provides opportunity to the members to participate in the discussion and vote on agenda items of the general meeting which includes consideration and approval of the company's financial statements;



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- (ii) Non-holding of AGM deprives the members of their fundamental and statutory right, to know about the affairs of the company and participate in decision making;
- (iii) In order to ensure transparency and protect the shareholders' rights, all companies must meticulously adhere to the law by following the procedure prescribed under the Act for holding of AGMs;
- (iv) The Company cannot absolve itself from its statutory duties pertaining to holding of AGMs in a timely manner as specified under the law; and
- (v) The Respondents failed to convene its AGM for FY ended June 30, 2023 within the specified time period of one hundred and twenty (120) days following the closure of its FY.

8. In view of the preceding facts, I am of the considered view that by failing to hold its AGM for the year ended June 30, 2023 within one hundred and twenty (120) days, the Company is in contravention of sub-section (1) of Section 132 of the Act, which renders it liable to penal action under sub-section (5) of Section 132 thereof. Therefore, in exercise of the powers conferred under sub-section (5) of Section 132 of the Act, I hereby impose a penalty of **Rs.100,000 (Rupees One Hundred Thousand Only)** on the Company, and Warn the remaining Respondents.

9. The Company is, 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.

10. Nothing in this Order may be deemed to prejudice the operation of any provisions of the Act providing for imposition of penalties on the Respondent in respect of any default, omission or violation thereof.

Shahzad Afzal Khan
Director/ HOD
Adjudication Department-I

Announced:
February 19, 2024, Islamabad

