



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before

Shahzad Afzal Khan Director  
Head of Department  
Adjudication Department-I

*In the matter of*

Nazir Cotton Mills Limited

Number and date of notice: No. CSD/ARN/151/2015-202 dated July 6, 2023  
Dates of hearings: August 09, 2023 and September 07, 2023  
Present in the hearings: Mr. Maqbool Hussain Bhutta as Authorized Representative

## ORDER

Under Section 176(3) of the Companies Act, 2017 and Section 479 thereof

This order shall dispose of the proceedings initiated through Show Cause Notice No. CSD/ARN/151/2015-202 dated July 6, 2023 (the SCN) issued under Section 176(3) of the Companies Act, 2017 (the Act) and Section 479 thereof against the board of directors of Nazir Cotton Mills Limited (the Company), hereinafter collectively referred to as the Respondents,

2. Brief facts of the case are that:

- Review of the announcement made by the Company on Pakistan Stock Exchange (PSX), transpires that board meeting was not held by the Company during the quarter ended September 30, 2022 (i.e. during the period from July 1, 2022 to September 30, 2022), contrary to the requirements of Section 176(3) of the Act.
- The matter relating to the non-holding of aforesaid board meeting was taken up by the Securities and Exchange Commission of Pakistan (the SECP) with the Company through its letter dated January 19, 2023.
- The Company through its reply dated March 17, 2023, explained the default in the following manner: "Due to the Extension in the date of AGM, a single BOD for the First quarter and Second Quarter was made."
- In terms of Section 176 of the Act it provides that the listed company is required to hold board meeting at least once in each quarter and can be held through video conference. However, the board meeting was not held during the quarter ended on September 30, 2022 and the reply of respondents for non-holding of board meeting was found unsatisfactory.



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Hence, the proceedings were initiated against the Respondents through the SCN.

3. In response to SCN, the Chief Financial Officer/ Director through letter dated July 10, 2023, *inter alia*, submitted that:

- (i) The Company held four board meetings in the year from July 2021 to June 2022;
- (ii) The main business line of the Company was closed since many years, so there were routine matters to be discussed in the meeting;
- (iii) The offence was made first time and no repetition in this regard would be made in future and requested to condone the default.

4. In order to afford the Respondents, opportunity of personal representation, hearing in the matter was fixed for August 09, 2023, however, no one appeared. Thereafter, the matter was fixed for hearing to be held on September 07, 2023. On the date of hearing, Mr. Maqbool Hussain Bhutta appeared as Authorized Representative of respondents and reiterated his stance as was given in writing through letter dated July 10, 2023, However, accepted the default.

5. Relevant legal provisions are reproduced as under:

Sub-section (3) and (4) of Section 176 of the Act:

**" 176. Proceedings of the board: -**

*(3) the board of a public company shall meet at least once in each quarter of a year.*

*(4) If a meeting of the board is conducted in the absence of a quorum or a meeting of board is not held as required by sub-section (3) the chairman of the directors and the directors shall be liable- (a) if the default relates to a listed company, to a penalty of level 2 on the standard scale;"*

6. I have gone through the facts of the case, written response and submission made during the hearing, and state that:

- (i) The board of directors of a public company is required to meet at least once in each quarter of a year, in terms of Section 176 (3) of the Act and any contravention in this regard attracts penal provisions provided in Section 176(4) of the Act. In the instant matter, it was mandatory to hold at least one board meeting in the quarter of September 30, 2022 (period from July 1, 2022 to September 30, 2022); in compliance with the requirements of Section 176 of the Act. The Respondents are of the view that two board meetings were held in December quarter. As per available information, the meetings were held on December 1, 2022 and December 31, 2022. However, the aforesaid stance is not cogent as it is mandatory to hold board meeting in each quarter and Respondents failed to hold board meeting in September quarter which was ended on September 30, 2022. Therefore, violation of Section 176(3) of the Act is attracted.
- (ii) It was submitted that due to extension in holding AGM, board meeting for the quarter ended on September 30, 2022 was not held in time. However, the said stance is not cogent as due date of holding of AGM does not fall in the first quarter i.e. September quarter in case of the Company. Therefore, I am of the view that the



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provisions of Section 176(3) of the Act have been violated for non-holding of board meeting in quarter ended September 30, 2022 for which penalty is provided in terms of Section 176(4)(a) of the Act.

- (iii) I am of the view that holding of board meeting in each quarter of a financial year is statutory requirement and it is, therefore, Respondents' fiduciary responsibility to comply with the given provisions of the Act for which the grounds cited for violation of Section 176(3) of the Act are not cogent.

7. Keeping the aforesaid in view, I, therefore, in exercise of powers conferred under sub-section (4)(a) of Section 176 of the Act, hereby, impose a penalty of **Rs 50,000/- (Rupees Fifty Thousand only)** on **Mian Shahzad Aslam, the Chief Executive/Director**. I also hereby warn the rest of the Respondents to ensure discharging of their statutory responsibilities as members of the Board of the Company in letter and spirit, in future.

8. The aforesaid fines must be deposited in the designated bank account maintained with MCB Bank Limited / United Bank Limited in the name of the Securities and Exchange Commission of Pakistan within thirty days of the date of this order and to 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 the Respondent in his personal capacity, therefore, he is required to pay the said amount from his resources.

9. Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for imposition of penalties in respect of any default, omission or violation of the Act

**Shahzad Afzal Khan**  
Director/HOD  
Adjudication Department-I

Announced: September 22, 2023  
Islamabad