

Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*  
7<sup>th</sup> Floor, NIC Building, Jinnah Avenue, Blue Area, Islamabad.

**Before Rashid Sadiq, Executive Director**

*In the matter of*  
**Advances to Directors of M/S Samin Textiles Limited**

Number and date of show cause notice	19 (830) CF/ISS/2001 May 07, 2001
Date of final hearing	June 28, 2001
Present	Mr. Safdar Hussain Tariq

**ORDER**

This order will dispose of the proceedings initiated against Mr. Safdar Hussain Tariq and Mr. Munir Ahmed both directors of M/S Samin Textiles Limited (the “Company”) for non-compliance with the provisions of Sub-section (4) of Section 195 of the Companies Ordinance (the “Ordinance”).

2. The relevant facts for the disposal of this case are that the examination of the audited accounts of the Company for the year ended September 30, 2001 revealed that the Company has provided advances to its directors as stands admitted from note 17 and 17.1 of the aforesaid accounts. Subsequent information provided by the Company indicated that these loans were provided by the Company to its directors namely Mr. Safadr Hussain Tariq and Mr. Munir Ahmed. A notice dated May 07, 2001 was, therefore, served on the said directors of the Company to show cause as to why action may not be taken against them for the violations of Sub-section (4) of Section 195 of the Ordinance.

3. The reply to the show cause notice was received on May 12, 2001 wherein a request was made for personal hearing. The case, therefore, was fixed on May 31, 2001 on which date Mr. Safdar Hussain Tariq appeared before me to represent himself as well as Mr. Munir Ahmed in these proceedings. The final hearing in this matter was held on June 28, 2002.

4. At the time of hearing as well as in the replies, it was stated that a loan of Rs. 400,000 only was provided to Mr. Safdar Hussain Tariq, General Manager Finance and Company Secretary during February to May 1999 for the purpose of construction of his house. This loan was stated to have been advanced in accordance with the rules of the Company. Subsequently, Mr. Safdar Hussain Tariq was appointed as a director of the Company, the exact date of his appointment being February 03, 1998. This appointment, as stated, was made in an emergency to replace Mr. M. Amin, Ex-Chairman who died on January 23, 1998. It was argued that the information required under Sub-section (4) of Section 195 could not be sent due to oversight and the circumstances prevailing at the time of appointment of Mr. Safadr Hussain Tariq as a director of the Company. As regard to the loan advanced by the Company to Mr. Munir Ahmed, General Manager Mills, it was stated that a loan of Rs. 500,000 was given to him on January 12, 2001. This was also a house-building loan given as per rules of the Company. Mr. Munir Ahmed was subsequently appointed as directors on February 22, 2001. Information regarding the said loan was submitted on April 23, 2001 to the Commission with request to condone the delay in submission of information.

5. The provisions of Section 195 of the Ordinance restrict the lending, advancing of loans or the provision of any security for advancing of loan to directors except that “a company may, with the approval of the Commission, make a loan or give any guarantee or provide any security in connection with a loan made by any other person to a director who is in whole time employment of the company from the purpose of acquisition or construction of a dwelling house or land therefor or for defraying the cost of any conveyance for personal use or household effects or for defraying any expense on his medical treatment or the medical treatment of a relative as are ordinarily made or provided by the company to its employees.” The provisions of Sub-section (4) of Section 195 of the Ordinance further provides that “every person shall within fourteen days of his appointment as director or Chief Executive of company shall file with the registrar the particulars of any loan taken, or guarantee or security obtained, prior to his becoming director or Chief Executive of the lending company which could not have been taken or obtained without the prior approval of the Commission had he at the time of taking the loan or obtaining the guarantee or security been the director or Chief Executive of the lending company.”

6. After having considered the arguments and the documents produced before me, I have come to the conclusion that Mr. Safadr Hussain Tariq and Mr. Munir Ahmed could not file particulars of the loan under sub-section (4) of Section 195 because of their ignorance of the said provisions of law. They became directors of the Company subsequent to advancing of loans. They were required to file the particulars of the loan they have obtained before becoming directors within fourteen days of their respective appointments. The loans are of immaterial amounts and were advanced to these gentlemen before they became directors of the Company. The Company has already recovered the entire amount of loan in the case of Mr. Safdar Hussain Tariq. Both the directors are in the whole time employment of the Company and they were made directors to take benefit from their experience. They are talented professionals who are pursuing their career in the textile industry successfully. In the circumstances, I do not intend to penalize them for the defaults, which were committed *prima facie* due to lack of knowledge of the

provisions of law. In consequence, the proceedings initiated against Mr. Safdar Hussain Tariq and Mr. Munir Hussain are dropped with the advise to the said directors to ensure strict observance of the laws and regulations in future. The case is accordingly disposed of.

***RASHID SADIQ***

Executive Director (Enforcement and Monitoring)

***Announced***  
***June 28, 2002***  
***ISLAMABAD***