

Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Azmat Textile Mills Limited

Dates of Hearings

December 24, 2019 & January 6, 2020

Order-Redacted Version

Order dated January 10, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Azmat Textile Mills Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated November 29, 2019
2. Name of Company	Azmat Textile Mills Limited
3. Name of Individual*	The proceedings were initiated against the directors of the Company i.e. Azmat Textile Mills Limited
4. Nature of Offence	Violation of section 232 and 236 read with Section 479 of the Companies Act, 2017. The Company failed to submit the auditors' report, review reports on statement of compliance, director's report and the statement of compliance alongside the financial statements for the year ended September 30, 2018.
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have gone through the facts of the case, record of the Company, relevant provisions of the Act and written submissions made by the Company and arguments made by the Authorized Representative. At the outset I would like to highlight the provisions of Section 387 of the Act which states that:</p> <p><i>A company being wound up shall continue to be a company for all purposes till its final dissolution in accordance with the provisions of this Act and, unless otherwise specified, all provisions and requirements of this Act relating to companies shall continue to apply mutatis mutandis in the case of companies being wound up:</i></p> <p>In the instant case, the Company's winding up petition filed in the Honorable High Court is pending adjudication so the Company has not been dissolved yet. Nonetheless, I have observed that the Company failed to submit auditor's report, review report on the statement of compliance, director's report and the statement of</p>

	<p>compliance, in contravention with the provisions of section 236 of the Act and its financial statements for the year ended September 30, 2018, were not signed, by CFO, in contravention with the requirement of section 232 of the Act. The Authorized Representative has not contested the violations and admitted the default.</p> <p>At this juncture, it is relevant to highlight that the statements and reports provide independent view of auditors about true and fairness of financial statements and status of compliance with the requirements of corporate governance. The Company, failed to annex aforementioned statements and reports with its Accounts 2018, so improper financial statements were issued or circulated. The directors owe a fiduciary duty to the Company and its shareholders and must treat all the shareholders and stakeholders, whether they may be sponsors, creditors, employees or other companies or others in an equitable and just manner. They must discharge their statutory obligations diligently, in good faith with fairness and honesty. However, in the instant case, the Respondents have failed to exercise due diligence and prudent approach to ensure that the mandatory provisions of section 236 and section 232 were not being violated.</p> <p>In view of above, I am of the considered view that the Respondents issued/circulated improper Accounts 2018, which were not signed by CFO, therefore violated the provisions of section 236 and section 232 of the Act. I therefore in exercise of power delegated under section 232 and 236 of the Act, hereby, impose an aggregate penalty of Rs. 12,250/- (Rupee twelve thousand two hundred and fifty only) on the Respondents.</p> <p>Penalty order dated January 10, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A Penalty of 12,250/- (Rupee twelve thousand two hundred and fifty only) was imposed on all the respondents.
7. Current Status of Order	No Appeal has been filed by the Respondents.