

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

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

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Dates of Hearings June 18, 2020, June 30, 2020, July 15, 2020 and August 24, 2020

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**Order-Redacted Version**

Order dated September 16, 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:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated March 13, 2020
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
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. At the outset I would like to highlight the provisions of Section 387 of the Act which states that:</p> <p style="text-align: center;"><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 and there is no order of the Honorable Court has been produced which bars this forum to pass orders for violations of the requirements of section 232 and section 236 of the Act. 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 compliance,</p>

	<p>which were not annexed and submitted along financial statements for the year ended September 30, 2019, in contravention with the provisions of section 236 of the Act and its financial statements for the year ended September 30, 2019, were not signed, by CFO, in contravention with the requirement of section 232 of the Act.</p> <p>2. 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 financial statements for the year ended September 30, 2019, 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>3. In view of above, I am of the considered view that the Respondents issued/circulated financial statements for the year ended September 30, 2019, which were not signed by CFO, and auditor's report, directors' report, review report on the statement of compliance and the statement of compliance were not annexed along with financial statements, in violation of section 232 and section 236 of the Act.</p> <p>A penalty of Rs. 57,500/- (Rupees fifty seven thousand and five hundred only) was imposed.</p> <p>Penalty order dated September 16, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A Penalty of Rs.57,500/- (Rupees fifty seven thousand and five hundred only) was imposed on all the Respondents.
7. Current Status of Order	No Appeal has been filed by the respondents.