



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Before the Director/HOD (MSCID)

In the matter of Show Cause Notice issued under Section 224(4) of the Companies Ordinance, 1984 to The Crescent Textile Mills Limited, a beneficial owner of more than ten percent equity security of Crescent Steel and Allied Products Limited

Date of Hearing: February 22, 2012

Present at Hearing:

Representing the Respondent: Mr. Rashid Sadiq,
Chief Executive Officer,,
RS Corporate Advisory (Pvt.) Limited

Assisting the Director/HOD (MSCID): Mr. Muhammad Farooq,
Joint Director (SMD)

Order

This order will dispose of the proceedings initiated under Section 224(4) of the Companies Ordinance, 1984 ("**Ordinance**") by the Securities and Exchange Commission of Pakistan ("**Commission**") through Show Cause Notice No. S.M(B.O)C.O.222/12(838)04 dated 11/01/2012 ("**Notice**") issued to The Crescent Textile Mills Limited ("**Respondent**"), a beneficial owner of more than ten percent equity security i.e. ordinary shares of Crescent Steel and Allied Products Limited ("**Issuer Company**").

2. The facts of the matter leading up to aforesaid Notice are that the Issuer Company is a public listed company and the Respondent being a beneficial owner of more than ten percent of its ordinary shares was required to file returns for change in beneficial ownership on Form 32, within the period stipulated under Section 222 of the Ordinance. However, it failed to discharge the said obligation which attracts penal provisions contained in Section 224(4) of the Ordinance.

3. Section 222(2)(c) of the Ordinance stipulates the period within which the Form 32 is required to be submitted as under:-

"where there is any change in the position or interest as aforesaid including a change in the beneficial ownership of any equity, security, within fifteen days of such change"

4. It is worth mentioning that in order to provide an opportunity to directors/beneficial owners of listed companies to file their over due returns of beneficial ownership without facing



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penal action, the Commission through Notices dated 07/09/2009 and 21/09/2010 asked them to file their returns of beneficial ownership with Head Office of the Commission by 31/10/2009 and 31/10/2010 respectively and to ensure timely compliance of Section 222 of the Ordinance in future. The aforesaid Notices were sent to all listed companies and were also disseminated through stock exchanges and print media.

5. On account of scrutiny of record of this office, it was observed that the Respondent has failed to report change of 1,719,207 shares in its beneficial ownership. The Respondent was, therefore, asked vide letter dated 18/10/2011, to file return of beneficial ownership on Form 32 alongwith reasons for non-filing of the same, within the period stipulated in Section 222 of the Ordinance. In response to the aforesaid letter, the Respondent filed Form 32 on 03/11/2011, showing therein receipt of bonus shares in 2006, 2007 and 2008. The said changes in shareholding were reported to the Commission with delay ranges from 1,983 days to 1,129 days, in contravention of Section 222(2)(c) of the Ordinance. The said contraventions attract penal provisions of Section 224(4) of the Ordinance, which provides as under:-

"Whoever knowingly and wilfully contravenes or otherwise fails to comply with any provision of section 222, section 223 or section 224 shall be liable to a fine which may extend to thirty thousand rupees and in the case of a continuing contravention, non-compliance or default to a further fine which may extend to one thousand rupees for every day after the first during which such contravention, non-compliance or default continues"

6. The Commission took cognizance of the aforesaid default and issued Notice to the Respondent under Section 224(4) of the Ordinance, calling upon it to explain through written reply alongwith documentary evidence, if any as to why action may not be taken against it pursuant to Section 224(4) of the Ordinance, for aforesaid contraventions of Section 222(2)(c) of the Ordinance.

7. Furthermore, in order to provide an opportunity of being heard in person, hearing in the matter was fixed for 24/01/2012 at Commission's Head Office, Islamabad, which on request of Mr. Rashid Sadiq ("**Authorized Representative**") was adjourned and re-fixed for 22/02/2012. On the given date, the Authorized Representative appeared before me. The submissions made by the Authorized Representative during the course of hearing be summarized as under:-

- a) *The Respondent is holding physical shares. It has not traded in the shares in open market and the change in its beneficial ownership was only because of issuance of bonus shares by the Issuer Company.*
- b) *Due to oversight the prescribed return on Form 32 could not be filed within the stipulated time limit.*
- c) *On receipt of letter from the Commission, the Respondent promptly filed the return for aforementioned changes in beneficial ownership.*



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- d) *The delay in submission of the return of beneficial ownership was not willful.*
- e) *The Authorized Representative requested to take lenient view of the matter as the changes in beneficial ownership were due to receipt of bonus shares.*
- f) *The Authorized Representative ensured that the Respondent will comply with the requirement of Section 222 of the Ordinance within the prescribed time period in future.*

8. I have considered written submissions made on behalf of the Respondent as well as the verbal arguments advanced by the Authorized Representatives during the course of personal hearing. The Respondent has admitted the default of late filing of the return of beneficial ownership with the contention that said default was not committed willfully and knowingly. The Respondent has assured for timely filing of the returns of beneficial ownership in future and requested to condone the default in question. In order to arrive at conclusion, I have also reviewed the available record which reveals that the Respondent has earlier filed returns of beneficial ownership regularly. Considering the arguments advanced on behalf of the Respondent, I intend to agree with the contention of the Respondent and of the view that the late filing of the under reference return of beneficial ownership may not be willful. Therefore, a lenient view of the matter has been taken and the Respondent is hereby strictly warned to ensure timely compliance of Section 222 of the Ordinance in future.

9. This order is issued without prejudice to any other action that the Commission/Registrar may initiate against the Respondent in accordance with the law on matter subsequently investigated or brought to the Notice of the Commission.

Islamabad.
Announced on *March 19, 2012*



(Imran Inayat Butt)
Director/HOD (MSCID)