



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department- I

### Adjudication Division

Before  
Mahboob Ahmad – Additional Director/  
Head of Listed Companies Wing

*In the Matter of*

**Nadeem Textile Mills Limited**

Number and Date of SCN: CSD/ARN/291/2016-348 dated June 25, 2024  
Hearing Dates: July 30, 2024  
Present: Mr. Muhammad Waseem, Authorized Representative

### ORDER

#### Under Section 237 of the Companies Act, 2017 and Section 479 thereof

This Order shall dispose of the proceedings initiated through Show Cause Notice dated June 25, 2024 (**the SCN**) issued under Section 237(4) of the Companies Act, 2017 (**the Act**) read with the Securities and Exchange Commission of Pakistan's (**the Commission**) Circular No.11 dated August 11, 2023 (**Circular 11**) and Section 479 thereof, to the Board of Directors including the chief executive and Chief Financial Officer (CFO) (collectively referred to as the **Respondents**) of Nadeem Textile Mills Limited (**the Company**).

2. Brief facts of the case are as under:

(a) the Company failed to prepare and file/transmit through e-Services with the Commission/Registrar, its Quarterly Financial Statements (**QFS**) for the following period, within the stipulated time:

S.No.	Periods Ended	Due on	Filed/Transmitted through e-Services with Registrar/Commission
1	December 31, 2023	February 29, 2024	April 02, 2024 Delay – 33 days

(b) The Company vide application dated February 20, 2024 sought extension to submit the aforesaid QFS, which the Commission did not accede to through its letter dated February 28, 2024 based on the grounds that no legal provision empowering the commission to grant extension in period for submission of QFS of a second quarter exists.

3. The Respondents, *prima facie*, contravened the provisions of Section 237 of the Act read with the Circular 11 by failing to prepare and file/transmit through e-Services with Registrar/Commission, the above-mentioned QFS, within the stipulated time. Consequently, the SCN was issued to the Respondents



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to show cause in writing as to why penal action may not be taken against them for non-compliance of Section 237 (4) of the Act.

4. In this regard, the Company, via its letter dated July 10, 2024, inter alia, submitted that:
- i) The annual accounts for the year ended June 30, 2023 were delayed and extension was granted by the Commission for one month vide letter No SMD/PRDD/Comp/(116)/2023/66 dated October 05, 2023. Extension was also granted by the Commission for first quarter ended September 30, 2023.
  - ii) Due to delay in preparation of first quarterly accounts, which were completed by the end of November 2023, the half yearly accounts for the period ended December 31, 2023 were also delayed.
  - iii) We applied to the Securities and Exchange Commission of Pakistan for extension in submission of half yearly accounts vide our letter dated February 20, 2024, however, our request was not acceded to by the Commission.
  - iv) As soon as the financial statements for the half year ended December 31, 2023 were completed and accordingly, limited review by the statutory auditors was also completed, the half yearly financial statements for the period ended December 31, 2023 were released and submitted with SECP and dispatched to the shareholders as well as Pakistan Stock Exchange Limited.
  - v) We have always complied regularly and timely with the statutory requirement regarding submission of financial statements and related matters. Further, due to delay in the release of half yearly financial statements, interest of any shareholders or any other person has neither been damaged/hurt nor any adverse effect has been noted on the Pakistan Stock Exchange Limited as the shares of the Company are not frequently traded and no transaction in shares has taken place during the previous one year.
  - vi) The financial statements for the third quarter ended March 31, 2024 have been released timely and we further assure that the financial statements for the year ended June 30, 2024 will also be released timely Insha-Allah.
  - vii) In the light of the above submissions, you are requested to condone the above delay this time and in future will take utmost care in this respect.

5. To provide an opportunity for personal representation, hearing in the matter was scheduled for July 30, 2024. On the date of the hearing, Mr. Muhammad Waseem, appeared as the authorized representative of the Respondents. During the hearing, the authorized representative reiterated the stance given in writing in the reply dated July 10, 2024. However, admitted that the overdue QFS was filed/transmitted on April 02, 2024.



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6. The relevant provisions of the Act stipulate as under:

Sub-section (1) of Section 237 of the Act read with the Commission's Circular No. 11 entails:

- 1) Every listed company shall prepare quarterly financial statements within a period of: -
  - a) thirty days from the close of first and third quarters of its year of accounts; and
  - b) sixty days from the close of its second quarter of its year of accounts.
- 2) The quarterly financial statements shall be posted on the company's website for the information of its members and also be transmitted electronically to the Commission, securities exchange and with the registrar within the period specified under sub-section (1).

Sub-section (4) of Section 237 read with Section 479 of the Act stipulates that:

*If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief financial officer of the company who has by his act or omission been the cause of such default shall be liable to a penalty of level 2 on the standard scale.*

7. Subsequent, the Company, via its letter dated July 30, 2024, inter alia, submitted that:

*"During the last ten years from 2013 to 2023, we have always complied with the statutory requirements for submission and release of half yearly accounts as required by section 237 of the Companies Act, 2017 and only it was late this year due to the reason explained in our reply of show cause notice and verbally by our representative during the hearing.*

*Out of total paid up capital of 21,266,735 ordinary shares of Rs.10/- each only 4,500 shares are held by the general public and all the other shares are held by sponsors, relatives, family members and friends.*

*Further the shares of the Company are not frequently traded and no transaction in shares has taken place during the preceding one year.*

*We hereby undertake to comply in future with all the statutory requirements regarding finalization, release and submission of financial statements of Nadeem Textile Mills Limited and also ensure to take utmost care in this respect."*

8. The following questions are relevant to be addressed in the instant matter:

- (i) Whether it is statutory obligation to timely file/transmit QFS?
- (ii) Whether cogent reasons provided for delay in filing/ transmission of QFS?
- (iii) Whether the Respondents admitted the default?
- (iv) Whether subsequent compliance absolve the Respondents?



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9. As regards the matter at hand, I have analyzed the facts of the case, relevant provisions of the Act, and the arguments put forth during the course of the hearing as well as the written correspondence made. In this regard, it is observed that:

(i) **Whether it is statutory obligation to timely file/transmit QFS?**

The provisions of Section 237 of the Act are unambiguous and explicit. The timing of the QFS is essence and the disclosure requirements of the QFS has been kept to a bare minimum. The timely preparation and filing/transmission of the QFS not only provide to its users a reliable source of information regarding a Company's financial position and performance but also shows the results of the management's stewardship of resources entrusted on to it. In order to ensure compliance, the Respondents have fiduciary duty to ensure that the Company meticulously adheres to the law for preparation and filing/transmission of the QFS in a timely manner. In this context, the Respondents cannot absolve themselves from their statutory duties pertaining to preparation and filing/transmission of the QFS in a timely manner as stipulated under the Act.

(ii) **Whether cogent reasons provided for delay in filing/transmission of QFS?**

The Respondents submitted that the delay occurred in the preparation of the first quarterly accounts, resultantly in the QFS also delayed. The abovementioned reason for the delay does not absolve of the Respondents from default and fulfilling their legal obligations as the default is related to the period of the Company's second quarter instead of the Company's first quarter and the compliance was made with a delay of 33 days. There is no provision in the Act that allows for the QFS to be filed/transmitted with a delay. Further, the Respondents cannot absolve themselves from non-compliance of law. I am, therefore, of the view that the reasons cited are not cogent.

(iii) **Whether the Respondents admitted the default?**

The Respondents failed to file/electronically transmit the Company's QFS for the afore-said period in a timely manner pursuant to Section 237 of the Act and in its written as well as in verbal submission during the hearing has admitted that the QFS have been filed/transmitted with a delay. I am, therefore, of the view the respondents are liable of default.

(iv) **Whether subsequent compliance absolve the Respondents?**

The Respondents were required to transmit the Company's QFS on February 29, 2024. However, they complied with the statutory requirements of Section 237 of the Act on April



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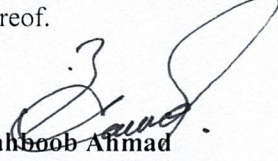
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2, 2024, with a delay of 33 days. Therefore, the subsequent compliance with respect to the transmission of QFS for the aforementioned period does not absolve the Respondents from default.

10. In view of the above, I have concluded that the aforesaid provisions of the Act have been violated, rendering the Respondents liable to penal action under Section 237 of the Act for failing to electronically transmit the Company's QFS for the period ended December 31, 2023, to the Commission within the stipulated timeframe, which has been admitted by the authorized representative. However, considering that the Company in past is largely compliant in respect of timely filing of QFS, and the Respondents have assured that they will be more proactive about compliance with the law in future, I hereby impose an aggregate penalty of only Rs.50,000/- (Rupees Fifty Thousand only) on Mr. Zahid Mazhar, the Chief Executive Officer of the Company, and warn the other Respondents to be more careful in future for filing/transmission of QFS within stipulated time.

11. The aforementioned penalties must be deposited in the designated bank account maintained with MCB Bank Limited or United Bank Limited in the name of the *Securities and Exchange Commission of Pakistan* within thirty (30) days from the receipt of this Order, and duly deposited bank challan shall be furnished to the Commission. In case of non-deposit of the penalties, proceedings for recovery under Section 485 of the Act as arrears of land revenue will be initiated. It may also be noted that the penalty has been imposed on the Respondents in their personal capacity; therefore, they are required to pay the said amount from personal resources.

12. Nothing in this Order may be deemed to prejudice the operation of any provisions of the Act providing for imposition of penalties on Respondents in respect of any default, omission or violation thereof.

  
**Mahboob Ahmad**  
Additional Director/ Head of Wing  
Listed Companies Wing,  
Adjudication Department – I

**Announced:**  
August 09,2024  
Islamabad