



# 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*

Safa Textiles Limited

Number and Date of SCN: CSD/ARN/148/2015-135  
dated April 17, 2024

Hearing(s) Dates: June 04, 2024; July 05, 2024; July 24, 2024;  
July 30, 2024; and August 12, 2024

ORDER

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

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the "Commission") through Show Cause Notice No. CSD/ARN/148/2015-135 dated April 17, 2024 (the SCN) issued under Section 237(4) of the Companies Act, 2017 (the Act) and Section 479 thereof read with Circular No.11 dated August 11, 2023 (Circular 11) against the board of directors and Chief Financial Officer (CFO), hereinafter collectively referred to as the Respondents, of Safa Textiles Limited (the Company).

2. Brief facts of the case are that the Company failed to prepare and file/transmit through e-Services with the Registrar/Commission, its Quarterly Financial Statements (QFS) for the following periods, within the stipulated time:

S.No.	Period Ended	Due on
1	December 31, 2022	March 01, 2023
2	March 31, 2023	April 30, 2023
3	September 30, 2023	October 30, 2023

3. The QFS for the aforesaid periods were also not posted on the website of the Company. 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, and by not posting the same on website of the Company.

4. Consequently, the SCN was issued to the Respondents to show cause in writing as to why penal action may not be taken against them for non-compliance of Section 237 of the Act. However, in response to the SCN, the Respondents did not submit any reply.



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5. To provide an opportunity for personal representation, hearings in the matter were scheduled for June 04, 2024, July 05, 2024, July 24, 2024, and July 30, 2024. The Respondents neither responded nor appeared at the scheduled hearings. In order to conclude the proceedings by conducting the hearing, efforts were made to contact the Respondents via telephone using the landline number on the Company's letterhead, and the mobile number of the Finance Manager available on record. Despite informing the Finance Manager about the hearings via telephone call, and sending the hearing notice to the Finance Manager's email, the Respondents neither responded to calls nor attended any hearing. Subsequently, the hearing in the matter was rescheduled for August 12, 2024, with a clear notice stating "final hearing opportunity" and that non-appearance would result in the issuance of an order based on the available record, the aforesaid last hearing notice was also sent at the available personal addresses of the Respondents. Despite this final notice, the Respondents neither responded nor attended the hearing.

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

*"237. Quarterly financial statements of listed companies. – 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).*

*(4) 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. As regards the matter at hand, I have analyzed the facts of the case on the basis of the relevant provisions of the Act, and the available record. In this regard, it is observed that:

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

Yes, the provisions of Section 237 of the Act are unambiguous and explicit. The timing of the QFS is essence and the disclosure requirements of these QFS have been kept to a bare minimum. The timely preparation and filing/transmission of QFS with Registrar/Commission 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.



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## **(ii) Whether QFS is source of information for the shareholders?**

Yes, Quarterly Financial Statements (QFS) are a crucial source of information for shareholders/members. They provide timely insights into a company's financial performance and position, allowing shareholders to make informed decisions about their investments. This information helps members to assess the company's overall financial health on a regular basis, ensuring transparency and accountability from the company's management.

In this context, perusal of the Company's record transpires that the Respondents failed to prepare and electronically transmit the Company's QFS for the periods ended December 31, 2022, March 31, 2023 and September 30, 2023 pursuant to section 237 of the Act read with the Circular 11. Hence, the Respondents deprived the shareholders/members from the key source of information about the Company.

## **(iii) Whether the Respondents were given ample opportunities for hearings during the adjudication proceedings?**

Yes, proper procedure was diligently followed, ensuring that the Respondents were accorded ample opportunities for hearings during the adjudication proceedings. Multiple hearing notices were meticulously served to the Respondents. Additionally, steps taken to establish communication by first calling the Company's number mentioned on the letterhead and then contacting the Finance Manager at the number available on record. Communication was established with the Finance Manager, who was informed about the hearing, and the notice was sent at his email address. Moreover, last hearing notice was also sent on each Respondent's personal address. However, no response was received from the Respondents, as they neither replied to the SCN nor attended any of the scheduled hearing.

Therefore, this demonstrates that the Respondents has nothing to say and failed to fulfill their fiduciary responsibilities as specified in the law, establishing a contravention of Section 237 of the Act read with the Circular 11.

8. In view of above, I have come to the conclusion that the aforesaid provisions of the Act have been violated and it renders the Respondents liable to penal action in terms of Section 237 of the Act as a result of failing to file/electronically transmit the Company's QFS for the period ended December 31, 2022, March 31, 2023 and September 30, 2023 with the Registrar/Commission. Therefore, due to non-appearance of the Respondents, the matter has been concluded on the basis of record available with this office, I, in exercise of powers conferred under sub-Section (4) of Section 237 of the Act, hereby impose an aggregate penalty of **Rs. 210,000/- (Rupees Two Hundred and Ten Thousand only)** on the Respondents as follows:

Sr. #	Name of Respondent	Amount in Rupees
1	Syed Tarique Husain	30,000
2	Ms. Farhat Iqbal	30,000



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3	Ms. Sabeen Tarique	30,000
4	Syed Rushan Hussain	30,000
5	Mr. Adnan Imam	30,000
6	Pirzada Ayaz Rafi	30,000
7	Agha Yousuf Ali Khan	30,000
<b>Total</b>		<b>210,000</b>

9. 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.

10. 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 15, 2024  
Islamabad