



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department- I

### Adjudication Division

*Before*

**Mahboob Ahmad, Additional Director**

*In the matter of*

**Huffaz Seamless Pipe Industries Limited**

Show Cause Notice No. & Date                      CSD/ARN/203/2015-19 dated May 03, 2023

Hearing Dates:                                              June 23, 2023; August 11, 2023

Hearing Attended by:                                      None

### ORDER

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

This Order shall dispose of the proceedings initiated through Show Cause Notice dated May 03, 2023 (the SCN) issued, under Section 237 of the Companies Act, 2017 (the Act) read with Section 479 thereof, to the following directors including the chief executive and Chief Accountant/CFO (collectively referred to as the "Respondents") of Huffaz Seamless Pipe Industries Limited (the "Company"):

Sr. #	Name of Respondent
1	Mr. Muhammad Hafiz - Chairman
2	Mr. Hafiz Abdul Majid - Chief Executive
3	Mr. Nasir Mahmood - Director
4	Mr. Nabil Abdul Rahman Ahmad Arif - Director
5	Mr. Fahad Abdul Aziz Eshaq Al Shaikh - Director
6	Mr. Talal Yousaf Mohammad Najibi - Director
7	Ms. Javeria Sami - Director
8	Mr. Asghar Imam Khalid - Director
9	Mr. Hafiz Abdul Waheed - Director
10	Mr. Hafiz Abdul Sami - Director
11	Mr. Hafiz Abdul Aleem - Director
12	Mr. Hafiz Abdul Haseeb - Director
13	Mr. Arshad Ahmed - Director
14	Mr. M. Anwar Khan - Chief Accountant/ CFO

2. Brief facts of the case are that the Company failed to electronically transmit its interim financial statements for the following periods with the Commission within the stipulated time pursuant to Section 237 of the Act read with the Commission's Circular No. 24 dated October 19, 2017 (the "Circular").



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Sr. #	Period ended	Filing due on
1	September 30, 2022	October 30, 2022

3. While taking cognizance of the said violation, the SCN was issued to the Respondents requiring them 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.

4. The Company Secretary on behalf of the Respondents as their Authorized Representative (AR), vide letter dated May 16, 2023 sought extension of one month to submit reply to the SCN. Subsequently, AR vide letter dated June 01, 2023 submitted the response to SCN which *inter-alia* is summarized as under:

- i. Covid-19 disturbed Company's overall system including but not limited to the compliance level as most of our employees were seriously infected due to coronavirus and some important officers expired including Manager Finance & Accounts. The Company overcome the problem and AGM for the year ended June 30, 2021 is going to be convened on June 08, 2023 and we hope that the AGM for the year ended June 30, 2022 would be convened before September 15, 2023 as complete manpower is now working on suitable position in the company and they have been trained.
- ii. The quarterly financial statements as on September 30, 2022 may be prepared and approved by Directors after completion and approval of Annual Accounts as on June 30, 2022, for which we *will* apply for direction under section 147 of the Companies Act, 2017 for holding AGM on September 15, 2023 and section 132 & 133 regarding submission of Annual Accounts for the year ended June 30, 2022. On March 13, 2023, the SECP issued a letter whereby the Company and its directors were directed to convene the AGM for the years ended June 30, 2021 & June 30, 2022 within 30 days of this notice.
- iii. Kindly allow us at least one month till October 30, 2023 from the date of AGM of 2022 for submission of Quarterly Accounts of September 2022 and kindly withdraw the show cause notice without imposing any penalty as the Company is already in trouble due to severe financial crises for last couple of years.

5. To provide opportunity of personal representation, hearing in the matter was fixed for June 23, 2023 however the AR, made further submissions vide letter dated June 21, 2023, that the SECP in its direction under section 474 of the Act issued through letter No. EMD/233/422/2002-447-448 dated June 20, 2023, has allowed it to convene the overdue AGM for approving the accounts as on June 30, 2022 on or before September 15, 2023. The AR further requested to consider the written submissions made and waive the SCN as well as hearing scheduled for June 23, 2023, without imposing any penalty. Moreover, the AR also requested for electronically transmitting the quarterly accounts for quarter ended September 30, 2022 on or before November 15, 2023.





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6. Subsequently, hearing was scheduled for August 11, 2023, however, the AR vide letter dated August 09, 2023 reiterated the earlier submitted responses dated June 01, 2023 and June 21, 2023 and requested to consider these response as full & final and to take decision on the basis of facts submitted therein.

7. Relevant provisions of the law stipulates that:

**"Sub-section (1) of Section 237 of the Act:**

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 of the Act:**

*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."*

8. As regards the matter at hand, I have analyzed the facts of the case, relevant provisions of the Act, the Respondent's written replies to the SCN alongside request to conclude the proceedings based on the written stance/correspondence with the Commission; the aforementioned provisions of the law are unambiguous and explicit. The fact that timing of quarterly financial statements is of essence, the disclosure requirements of these accounts have been kept to a bare minimum. Quarterly financial statements prepared accurately and in a timely manner provide to its users a reliable source of information regarding a Company's financial position and performance, besides illustrating the results of the management's stewardship of resources entrusted on to it. In order to ensure transparency, all companies must meticulously adhere to the law for preparation and circulation of interim financial statements.

Moreover, the Respondents including the CEO and CFO have fiduciary duties towards the Company and its shareholders while providing information to various stakeholders concerning their performance as to how diligently and ethically they are discharging their fiduciary duties and responsibilities. The Respondents are obliged to ensure that such mechanisms are in place and appropriate actions be taken whereby financial reporting of the company is timely achieved, whilst ensuring due compliance of the law.

9. It is noted that issuance of direction by the Commission under section 474 of the Act relates to holding of AGM and laying therein the annual accounts for the year ended June 30,



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2022, hence is independent of preparation and transmission of quarterly financial statements and does not absolve the Respondents of the responsibility towards the requirement of transmission of quarterly accounts. The relevant extracts from the said direction by the Commission are quoted here for reference:

*"In exercise of the powers conferred under section 474 of the Act and in view of holding of the AGM for the year ended June 30, 2021 on June 08, 2023 and filing of the financial statements for the said year with the Commission and uploading the same on PSX, I hereby direct the Company that overdue AGM for the year ended June 30, 2022 shall be held on or before September 15, 2023 and lay therein its annual audited financial statements for the year ended June 30, 2022."*

Further, sub-section (3) of section 474 of the Act (reproduced below) does not bar initiation of any proceedings and imposition of penalties on any company or its officers in respect of any such default:

*"474(3). Nothing in this section shall be taken to prejudice the operation of any enactment imposing penalties on a company or its officers in respect of any such default as aforesaid."*

10. It is pertinent to note that the preparation and circulation of quarterly financial statements rests with the Respondents who are required to take appropriate action within the time stipulated under the law. Further the matter relating to extension in timeline for transmitting quarterly accounts does not fall under my authority. In this context, I have reviewed Company records which reveal that the **quarterly financial statements for the period ended September 30, 2022 have not been filed with the Commission.**

11. In view of the above, I have concluded that the pertinent provisions of the Act have been violated, and the Respondents are liable to penal action in terms of Section 237 of the Act as a result of failing to electronically transmit the Company's quarterly financial statements for the period ended September 30, 2022 with the Commission within the statutory timeframes. Therefore, in exercise of powers conferred under sub-section (4) of Section 237 of the Act, I hereby impose an aggregate penalty of **Rs. 105,000 i.e. Rs. 7,500/-** apiece on the Respondents for the afore-mentioned default period as follows:

Sr.#	Name of Respondent	Amount in Rupees
1	Mr. Muhammad Hafiz - Chairman	7,500
2	Mr. Hafiz Abdul Majid - Chief Executive	7,500
3	Mr. Nasir Mahmood - Director	7,500
4	Mr. Nabil Abdul Rahman Ahmad Arif - Director	7,500
5	Mr. Fahad Abdul Aziz Eshaq Al Shaikh - Director	7,500





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6	Mr. Talal Yousaf Mohammad Najibi - Director	7,500
7	Ms. Javeria Sami - Director	7,500
8	Mr. Asghar Imam Khalid - Director	7,500
9	Mr. Hafiz Abdul Waheed - Director	7,500
10	Mr. Hafiz Abdul Sami - Director	7,500
11	Mr. Hafiz Abdul Aleem - Director	7,500
12	Mr. Hafiz Abdul Haseeb - Director	7,500
13	Mr. Arshad Ahmed - Director	7,500
14	Mr. M. Anwar Khan - Chief Accountant/ CFO	7,500
	<b>TOTAL</b>	<b>105,000</b>

12. The Respondents are hereby directed to deposit the aforesaid penalty in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and furnish deposited challan issued in the name of the Commission for information and record. In case of non-deposit of penalties, proceedings under Section 485 of the Act for recovery of the same as arrears of land revenue will be initiated. It may also be noted that the penalties have been imposed on Respondents in their personal capacity; therefore, they are required to pay the said amount from personal resources.

13. 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, Adjudication Department - I

**Announced:**  
August 22, 2023  
Islamabad

