



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

Before

Shahzad Afzal Khan - Director/ Head of Department

In the Matter of

Globe Textile Mills Limited

Number and Date of SCN: CSD/ARN/172/2015-373 dated December 18, 2023

Dates of Hearings: January 17, 2024

Present: Mr. Arshad Arif, Director

ORDER

UNDER SECTION 132 OF THE COMPANIES ACT, 2017 READ WITH 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 ("SCN") dated December 18, 2023 issued under Section 132 of the Companies Act, 2017 (the "Act") read with Section 479 thereof to Globe Textile Mills Limited (the "Company"), its Board of Directors and its Company Secretary, hereinafter collectively referred to as the Respondents.

2. Brief facts of the case are that in terms of sub-section (1) of Section 132 of the Act, the Company was required to hold its Annual General Meeting for its financial year ended June 30, 2023 (the AGM) within a period of one hundred and twenty (120) days following the closure of the said Financial Year (FY).

3. As per record of this office, the Company had failed to hold its AGM for FY2023 within the afore-stated time period. The Company's failure to hold the said AGM within the stipulated time period attracts applicability of the penal provisions of sub-section (5) of Section 132 of the Act read with Section 479 thereof. Therefore, taking cognizance of the alleged non-compliance proceedings were initiated against the Respondents through serving the SCN requiring them to show cause in writing, as to why action, as provided, should not be initiated against them.

4. The Respondents failed to submit written response to the SCN, therefore, in order to provide opportunity of personal representation, hearing in the matter was fixed for January 17, 2024, wherein, Mr. Arshad Arif, Director appeared before the undersigned on behalf of the Respondents as their Authorized Representative (the Representative) and submitted that:



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- The statutory audit for the FY 2023 could not be completed due to few pending legal confirmation sought by the auditors. One of the main confirmation is pending from OBS Pakistan (Pvt) Limited (OBS) relating to agreement by the Company for sale of major shareholding to them;
- The auditor is not releasing accounts due to pending legal confirmation from OBS;
- Majority holding of the Company was sold to OBS in 2018 however the transaction could not be executed due to internal restructuring of OBS. OBS has now agreed to complete the transaction in next few weeks. Accordingly it is expected that the overdue AGM will be held by end February 2024.

5. Subsequently, the Representative vide letter dated January 19, 2024 also submitted written response which, *inter-alia*, states that:

"In 2018, the Company had signed an agreement with OBS Pakistan (Pvt) Limited for sale of majority holding held by the sponsors of Globe Textile Mills Limited. The timeline for completion had been set for 12 months with the buyers having to submit necessary revival documents with Sindh High Court to satisfy the wind-up petition filed by the Commission in 2017. During the process they decided to re-structure their business to accommodate the merging of this company, unfortunately they took longer time than expected. Every year during the audit process the auditor would call for confirmation on the sale and wind-up petition. As this matter has been pending for five years the Auditor feel that this sale transaction does not seem as if it will be fulfilled hence the wind-up petition will continue. These confirmations have been pending which has delayed the completion of Audit. We as majority shareholders of the Company have been trying to persuade OBS Pakistan to fulfill their obligations as per the agreement signed in 2018 and set a definitive timeline to close this transaction so that the shareholders can breathe a sigh of relief. During the formal exchanges over the past few weeks they have agreed to expedite the transaction and we are hoping this update will allow us to complete the Audit process over the next few weeks. Once we get the all clear from our Auditors we will approach the Commission to hold the overdue AGM as per the guidelines set out."

6. Relevant provisions of the law are reproduced hereinunder:

Sub-section (1) of Section 132 of the Act:

"Every company, shall hold, an annual general meeting within sixteen months from the date of its incorporation and thereafter once in every calendar year within a period of one hundred and twenty days following the close of its financial year. –

Provided that, in the case of a listed company, the Commission, and, in any other case, the registrar, may for any special reason extend the time within which any annual general meeting, shall be held by a period not exceeding thirty days."



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Sub-section (5) of Section 132 of the Act:

"Any contravention or default in complying with requirement of this section shall be an offence liable: –

(a) in case of a listed company, to a penalty of level 2 on the standard scale."

7. I have considered the facts of the case in light of the relevant provisions of the Act, and the information available on record and state that:

- (i) The Respondents failed to convene AGM of the Company for FY 2023 within the specified time period of one hundred and twenty (120) days following the closure of its FY. The stance of the Representative that audit could not be completed due to missing confirmations from the prospective buyer is not tenable as the requirement of law for holding of AGM is explicit and requires every company to hold its AGM within 120 days following close of FY. The auditor could have issued its statutory report on the financial statements of the Company by adequately reporting the non-receipt of required confirmation from OBS;
- (ii) Holding of AGM is a vital statutory requirement as it provides opportunity to the members to participate in the discussion and vote on agenda items of the general meeting which includes consideration and approval of the company's financial statements;
- (iii) Non-holding of AGM deprives the members of their fundamental and statutory right, to know about the affairs of the company and participate in decision making; and
- (iv) In order to ensure transparency and protect the shareholders' rights, the Company should have meticulously adhere to the law by following the procedure prescribed under the Act for holding of AGM. Accordingly, the Respondents cannot absolve themselves from their statutory duties pertaining to holding of AGMs.

8. In view of the preceding facts, I am of the considered view that by failing to hold its AGM for the year ended June 30, 2023 within one hundred and twenty (120) days, the Respondents are in contravention of sub-section (1) of Section 132 of the Act, which renders them liable to penal action under sub-section (5) of Section 132 thereof. I, therefore, in exercise of the powers conferred under sub-section (5) of Section 132 of the Act, hereby impose an aggregate penalty of **Rs.100,000 (Rupees One Hundred Thousand Only)** on the Company, and Warn the remaining Respondents to ensure meticulous compliance with the applicable legal provisions in future.



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9. The Respondents are, hereby, directed to deposit the aforesaid amount of penalty in the designated bank account maintained in the name of the Commission with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and to furnish a receipted bank challan to the Commission forthwith. In case of failure to deposit the penalty, the proceedings under Section 485 of the Act will be initiated for recovery of the fines as arrears of land revenue.

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

Shahzad Afzal Khan
Director/ HOD
Adjudication Department-I

Announced:
January 29, 2024
Islamabad