



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before

Shahzad Afzal Khan, Director/ Head of Department

In the matter of

Dewan Textile Mills Limited

Show Cause Notice No. & Date CSD/ARN/202/2015-38 dated January 17, 2024

Date of Hearing: February 26, 2024

Present: Mr. S.M. Raza, Director Group Corporate & Taxation and
Mr. Muhammad Hanif German, Company Secretary

ORDER

Under Section 510(2) of the Companies Act, 2017

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the Commission) through Show Cause Notice dated January 17, 2024 (the SCN) issued, under Section 510(2) of the Companies Act, 2017 (the Act), to Dewan Textile Mills Limited (the Company) and its board of directors hereinafter referred to as the Respondents.

2. Brief facts of the case are that:

- (i) Review of notice dated October 05, 2023 of Annual General Meeting for the year ended June 30, 2023 (the AGM) of the Company, transpired that the Company did not provide the facility of video-link to the members, contrary to the requirements of Circular No 4 dated February 15, 2021 (Circular No. 4). In pursuance of the Circular No. 4, the Commission issued Circular No. 6 dated March 3, 2021 (Circular No. 6) and further Clarification dated December 15, 2021 emphasizing the use of video-link as a regular feature in general meeting;
- (ii) The matter of non-compliances of the above referred requirement was taken up with the Company vide email dated January 08, 2024. The Company in its response dated January 08, 2024 submitted that the option of video-link to attend the AGM was not provided due to server maintenance and requested lenient view. The response of the Company was not found tenable as the Circular explicitly requires the provision of video-link facility as a regular feature in general meetings; and
- (iii) In view of the above, the Company has, *prima facie*, violated the requirements of Circular No. 4 for not providing facility of AGM through video link, webinar, or other electronic means.

3. In order to take cognizance of the aforesaid contravention, the SCN was served upon the Respondent seeking justification for not complying with the requirements of Circular No.



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - 1 -

4. In response to the SCN, the Respondents through letter dated January 23, 2024 made written submission, relevant extracts of which are, *inter-alia*, produced below:

- In the month of October 2023, the IT department was busy with server issue & maintenance and could not provide network facility at that time, therefore, challenges in providing video link facility and electronic means arrangements to the members for attending AGM was encountered which is regretted;
- AGM was held while meeting quorum requirements wherein businesses on the agenda were appropriately transacted; and
- While assurance of compliance in future, lenient view is requested.

4. In order to provide opportunity of personal representation, hearing in the matter was fixed for February 26, 2024 wherein Mr. S.M. Raza, Director Group Corporate & Taxation and Mr. Muhammad Hanif German, Company Secretary (CS) appeared on behalf of the Respondents as their Authorized Representatives (ARs) and, submitted that:

- Reply to SCN vide letter dated January 23, 2024 is reiterated;
- Video facility could not be provided due to server issues. The IT equipment was damaged due to fire in office building in 2017 and issues are being faced in its operationalization;
- Quorum requirements were met in the said AGM and so far no complaint received from any of the shareholders;
- Video facility is now being provided in AGMs of other companies of the group. Future compliance is assured and lenient view is requested.

5 Relevant provision of the Circulars and Act provides that:

"Circular 4 of 2021. - (2) Now, keeping in view the fact that provision of facility for attending general meetings of listed companies virtually through video-link, webinar, or other electronic means helps maximization of members' participation in such meetings; SECP in continuation of its above mentioned Circulars hereby further directs that all listed companies to ensure participation of members in general meeting through electronic means as a regular feature from the date of this Circular till further orders. Furthermore, the Board shall ensure that facilities so provided are seamless and without any interruption.

Circular 6 of 2021: In continuation to this office Circular No. 4 dated February 15, 2021 and in light of the practical difficulties reported by the stakeholders, the Securities and Exchange Commission of Pakistan in exercise of powers conferred under section 510 of the Companies Act, 2017 (XIX of 2017) (the "Act"), hereby clarify that the listed companies which are facing practical difficulties in holding general meeting physically, may opt to hold such meeting through electronic mode; however, the company shall provide necessary reasoning in the notice of the general meeting issued under sub-section (3) of section 132 of the Act, for not holding general meeting physically.



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - 2 -

Section 510 of the Act. – Power to issue directives, circulars, guidelines. (2) Any person who obstructs or contravenes or does not comply with any directive, prudential requirements, codes, circulars, notifications, given under this section shall be liable to a penalty of level 3 on the standard scale.”

6. I have gone through the facts of the case, considered the submissions made by the Respondent in writing and the arguments submitted by ARs during the hearing and record available with the Commission. In light of the relevant provisions of the Act and the Circular, the Respondents were required to facilitate the members by providing video-link to attend the AGM enabling them to virtually participate in the AGM and they cannot absolve themselves from the entrusted responsibility by making excuses relating to server issues. The Respondents were aware of the requirements of the law and it was their fiduciary duty to timely take adequate measure enabling them to comply with the legal requirements relating to provision of video-link facility to the members for attending the AGM.

7. It is noted that the intent of the legislator behind the aforesaid requirement is to ensure accessibility and understanding of the businesses being discussed during AGM. Further it helps to promote transparency, inclusivity and assurance that the information reaches a broader audience. In view of the aforesaid facts.

8. In view of the aforesaid, it is evident that the Respondents have contravened the provisions of Circular No. 4 and Circular No. 6 by not providing video-link facility to the members for attending the AGM, therefore, I, in exercise of the powers conferred under Section 510 of the Act, hereby impose a penalty of **Rupees one hundred thousand (Rs. 100,000/-)** on the Company and Warn all the remaining Respondents and advise them to ensure meticulous compliance of the applicable legal and regulatory framework in future.

9. The aforesaid penalty 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 days from the receipt of this order and furnish receipted bank vouchers to the Commission. In case of non-deposit of the penalties, proceedings for recovery of the fines as arrears of land revenue in terms of Section 485 of the Act will be initiated.

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

(Shahzad Afzal Khan)
Director/ HOD
Adjudication Department-I

Announced:
Dated: March 04, 2024
Islamabad

