



# 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*

**Hira Textile Mills Limited**

Number and Date of SCN: No.CSD/ARN/532/2018-97 dated August 7, 2023

Hearing Dates: September 5, 2023, September 22, 2023, October 2, 2023  
and October 19, 2023

Present: Mr. Imran Bashir, as Authorized Representative

#### ORDER

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

This order shall dispose of the proceedings initiated through Show Cause Notice No. No.CSD/ARN/532/2018-97 dated August 7, 2023 (the SCN) issued under Section 237 of the Companies Act, 2017 (the Act) read with Section 479 thereof against the board of directors and chief financial officer, hereinafter collectively referred to as the Respondents, of Hira Textile Mills Limited (the Company).

2. Brief facts of the case are that the Company failed to electronically transmit its quarterly financial statements for the following periods with the Securities and Exchange Commission of Pakistan (the Commission) within the stipulated time pursuant to Section 237 of the Act read with Circular No. 24 of 2017 (the "Circular"):

Sr. #	Period ended	Transmission Due date
1	December 31, 2022	March 1, 2023
2	March 31, 2023	April 30, 2023

3. The Respondents, *prima facie*, contravened the provisions of Section 237 of the Act read with the Circular by failing to electronically transmit the aforementioned quarterly financial statements with the Commission within the stipulated time as stated above.

4. In taking cognizance of the matter, 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 read with Circular. However, no reply was received within the given time.

5. In order to provide the Respondents, an opportunity of personal representation, the matter was fixed for hearing to be held on September 5, 2023, however, no one appeared. The matter was re-fixed for a hearing to be held on September 22, 2023, again no one appeared. Next hearing in the matter was fixed for October 2, 2023. On the hearing date, Mr. Imran Bashir, partner, Rizwan & Company, Chartered Accountants, appeared before me, as Authorized Representative of the



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I  
Adjudication Division

Continuation Sheet - 1 -

Respondents, and requested adjournment. The Authorized Representative in this regard, through letter dated October 7, 2023, *inter alia*, submitted that:

- The Company was unable to prepare and submit the interim financial statements owing to several reasons. Firstly, due to the abrupt resignation tendered by Chief Financial Officer of the Company left the management with the staff members to prepare the interim financial statements of the Company who could not handle the audit procedures in the right manner. Moreover, any transactions could not be verified in a timely manner by the audit firm because of lack of documents related to financial information.
- Although a new CFO was appointed as a priority but due to the initial set back caused, the management could not recover and handle the situation in a timely manner. Further, the head office of the Company is being relocated which has disrupted the availability of record.
- The Company has already disseminated interim financial statements for the quarter ended September 30, 2022 and in the process of finalization of half yearly accounts for the period ended December 31, 2022 and as soon as limited review by the auditors is completed; the same along with interim financial statements for the period ended March 31, 2023 would be disseminated to all the stakeholders.
- The board acknowledges its responsibility for corporate and financial reporting framework and is committed to comply with all the laws and regulations. However, due to the stated circumstances which were beyond the control of the board there has been non-compliance. In view of the above submissions, it is earnestly requested that the above referred SCN be withdrawn.

6. In order to afford the Respondents, a hearing in the matter was fixed for October 19, 2023. Mr. Imran Bashir appeared and iterated stance as was given in writing through letter dated October 7, 2023. He assured to comply with the given provisions in the letter and spirit.

7. 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. 24 dated October 19, 2017 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.*

8. 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:





# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I  
Adjudication Division

Continuation Sheet - 2 -

- (i) The provisions of Section 237 are unambiguous and explicit. The timing of quarterly financial statements is of essence and the disclosure requirements of these quarterly financial statements have been kept to a bare minimum. Quarterly financial statements prepared accurately and in a timely manner 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 transparency, the Respondents have fiduciary duty to ensure that the Company must meticulously adhere to the law for preparation and transmission of quarterly financial statements.
- (ii) The Respondents in addition to their responsibilities of overseeing and managing the affairs of the Company, also have fiduciary duties towards the Company and its shareholders. It is the responsibility of the Respondents to oversee the functioning of the Company, to keep it appropriately organized to ensure due compliance of the law. In this context, Respondents cannot absolve themselves from their statutory duties pertaining to preparation and transmission of quarterly financial statements in a timely manner as stipulated under the Act. The stance taken by the respondents that the resignation of the CFO/related staff and shifting of head office of Company caused delay in the transmission of aforesaid quarterly financial statements is not cogent.
- (iii) The Company has not transmitted its quarterly financial statements for the period ended December 31, 2022 to the Commission. Moreover, as stated by the Authorized Representative, the quarterly financial statements for the period ended March 31, 2023 would be prepared in due course. In view of the aforesaid defaults, violation of Section 237(2) of the Act is attracted.

9. In view of the preceding facts, I have come to the conclusion that the afore-said 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 electronically transmit the Company's quarterly financial statements for the periods ended December 31, 2022 and March 31, 2023 respectively with the Commission within the stipulated timeframe. Therefore, in exercise of powers conferred under sub-section (4) of Section 237 of the Act, I hereby impose a penalty of **Rs. 140,000/- (Rupees One Hundred Forty Thousand only)** on the Respondents for the aforementioned defaults as follows:

Sr. #	Name of Respondent	For December 31, 2022 (Rs.)	For March 31, 2023 (Rs.)
1	Mr. Muhammad Tariq, Chief Executive	10,000/-	10,000/-
2	Ms. Zainab Malik, Director	10,000/-	10,000/-
3	Mr. Shaukat Nazir Malik, Director	10,000/-	10,000/-
4	Mr. Saeed Ahmed Khan, Director	10,000/-	10,000/-
5	Dr. Azhar Waheed, Director	10,000/-	10,000/-
6	Mr. Muahmmad Awais Qarni Chaudary, Director	10,000/-	10,000/-
7	Mr. Muhammad Hasnain Saeed Sohbin, Director/CFO	10,000/-	10,000/-
<b>TOTAL</b>		70,000/-	70,000
		140,000/-	



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I  
Adjudication Division

Continuation Sheet - 3 -

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

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

**Announced:**  
November 7, 2023  
Islamabad