



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before

Shahzad Afzal Khan, Director/ Head of Department

In the matter of

The National Silk & Rayon Mills Limited

Show Cause Notice No. & Date CSD/ARN/232/2015-282 dated September 21, 2023

Date of Hearing: November 03, 2023; November 13, 2023; November 21, 2023

Present: Mr. Nazir Ahmad Shaheen - Nazir Shaheen & Associates
(Authorized Representative)

ORDER

Under Section 510 of the Companies Act, 2017 read with Circular 10 of 2019 dated July 03, 2019

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the Commission) through Show Cause Notice dated September 21, 2023 (the SCN) issued, under Section 510 of the Companies Act, 2017 (the Act) read with Circular 10 of 2019 dated July 03, 2019 (the Circular), to The National Silk & Rayon Mills Limited (the Company) hereinafter referred to as the Respondent:

2. Brief facts of the case are that review of the information of the Company at Pakistan Stock Exchange (PSX) website transpired that on June 01, 2023, the Company announced to hold its Extra Ordinary General Meeting (EOGM) on June 22, 2023 with the agenda of election of directors and enhancement of its authorized share capital. The compliance check regarding publication of EOGM notice revealed that the Company:

- a. published the EOGM notice in English (The Nation, Lahore) and Urdu (Nawa-i-Waqt, Lahore) language newspapers on June 01, 2023 however the notice published in Urdu newspaper was in english language contrary to the requirements of clause (i) of Circular 10 of 2019 dated July 03, 2019 (the "Circular") read with section 132(3) of the Companies Act, 2017 (the "Act");
- b. failed to file the EOGM notice to the Commission within three (3) days of its publication, in contravention of requirements of clause (ii) of the Circular read with section 132(3) of the Act; and
- c. failed to transmit the EOGM notice to the Commission electronically on the designated email address, in contravention of requirements of clause (iii) of the Circular.

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 clauses (i), (ii), & (iii) of the Circular read with provisions of section 132(3) of the Act. The Company failed to submit written response to the SCN within the time provided for the purpose. In order to



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provide opportunity of personal representation, the matter was fixed for hearing on November 03, 2023 and November 13, 2023 however the same were adjourned on request by the Respondent. Subsequently hearing was re-fixed for November 21, 2023, wherein Mr. Nazir Ahmad Shaheen, CEO-Nazir Shaheen & Associates appeared on behalf of the Company as its Authorized Representative (AR) and submitted that:

- EOGM notice was published both in English and Urdu language newspapers however the notice in Urdu newspaper was published in english due to an inadvertent mistake by the publisher;
- General public not effected as less than 2% shares are owned by them;
- Requested lenient view admitting that it is negligence on part of the Company and it should have been careful.

4. Subsequently, the AR vide email dated November 24, 2023 submitted the attendance sheet, minutes of EOGM held on June 22, 2023 and courier tracking relating to filing of copy of notice to the Commission along with written response to the SCN which, *inter-alia* stated that:

- EOGM/ AGM notices in Urdu Newspaper are usually published in urdu language in past. Current year notice was published in english language in Urdu Newspaper due to mistake by the publisher and we will adhere to the legal requirements in future;
- EOGM notice was filed with the Commission on June 03, 2023 in compliance with requirements of clause (ii) of the Circular however electronic transmission of notice in compliance with clause (iii) of the Circular will be ensured in future;
- EOGM notice was sent to the members and every entitled person twenty one days before the date of meeting and there was neither any dissenting remarks by any person nor was there any complaint filed.

5. Relevant clauses of the Circular provides that:

"(i) All notices of general meetings shall be sent to the members and every person who is entitled to receive notice of general meetings at least twenty-one days before the date fixed for the meeting and shall be published in English and Urdu morning newspapers, having nationwide circulation, which are generally known and read, in English and Urdu languages respectively;

(ii) A copy of newspaper in each language, in which notice of general meeting was published, along with statement under section 134 of the Act, where applicable, shall be filed with the SECP within three days of publication.

(iii) notice of general meeting, along with statement under Section 134 of the Act, where applicable, shall also be transmitted to the SECP through fax or email at the email address general.meeting@secp.gov.pk"



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6. Section 510 (2) of the Act specifies that:

"Any person, who obstructs or contravenes or does not comply with any directive, prudential requirements, codes, circulars or notifications, given under this section shall be liable to a penalty of level 3 on the standard scale."

7. I have gone through the facts of the case, considered both the written and verbal submissions of the AR and record available with the Commission. Analysis of the same is hereunder:

a. Was the EOGM notice published in Urdu language Newspaper in Urdu language?

No. The EOGM notice was published in Urdu (Nawa-i-Waqt, Lahore) language newspapers on June 01, 2023 however was published in english language contrary to the requirement of clause (i) of the Circular that the notice in Urdu Newspaper to be published in urdu language and the same has been admitted by the Respondent in written reply submitted vide email dated November 24, 2023 and also by the AR during hearing, stating that it was a mistake by the publisher. However no dissent or complaint relating to aforesaid violation by the members attending the EOGM or any other person is on record.

It is noted that the intent of the legislator behind the aforesaid requirement is to ensure accessibility, understanding and communication of the information among urdu speaking populations. Further it helps to promote transparency, inclusivity and assurance that the information reaches a broader audience.

The responsibility to ensure compliance with the legal and regulatory requirements as regards to publication of EOGM notice rests with the Respondent and it cannot absolve itself from the entrusted responsibility stating that the violation was caused due to mistake by the publisher.

b. Was copy of newspapers, in which EOGM notice was published, along with statement under section 134 of the Act, where applicable, filed with the Commission within three days of publication?

Yes. The Company has submitted copy of courier tracking which reflects that the required EOGM notice was couriered on June 03, 2023 and received at the Commission on June 05, 2023.

c. Was EOGM notice, along with statement under section 134 of the Act, where applicable, transmitted at the designated email address?

No. The Company failed to transmit the EOGM notice at the designated email of the Commission and the same has also been admitted by the Respondent in written reply submitted vide email dated November 24, 2023 and also by the AR during hearing. It is however observed that the Respondent timely made the announcement of EOGM i.e. on June 01, 2023 at the PSX for dissemination of information to the shareholders and all relevant persons.



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8. In view of the aforesaid facts, it is evident that the Company has contravened the provisions of clause (i) & (iii) of the Circular by publishing EOGM notice in Urdu Newspaper in English language and not transmitting the same at the designated email address of the Commission, hence the non-compliance at relevant point in time is established and the same is also admitted by the Respondent and AR.

9. In view of the aforesaid and considering that none of the members objected on the EOGM notice nor any complaint in this regard was filed and the assurance of compliance in future by the Respondents, I, in exercise of the powers conferred under Section 510 of the Act, hereby impose a penalty of **Rupees fifty thousand (Rs. 50,000/-)** on the Respondent for non-compliance with clause (i) of the Circular and advise it to remain careful in future with regards to non-compliance with clause (iii) of the Circular.

10. 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.

11. 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
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Announced:

Dated: November 29, 2023
Islamabad