



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

NICL Building, 63 Jinnah Avenue, Islamabad

Before

Mahboob Ahmad - Additional Director/Head of Wing

In the Matter of

Huffaz Seamless Pipe Industries Limited

Number and Date of SCN: CSD/ARN/203/2015-117 dated August 11, 2023

Hearing Dates: September 22, 2023 and October 02, 2023

Present: None

ORDER

UNDER SECTION 237 READ WITH SECTION 479 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 August 11, 2023 (the "SCN") issued, under Section 237 of the Companies Act, 2017 (the "Act") read with Section 479 thereof, to the directors, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") (collectively referred to as the **Respondents**) of Huffaz Seamless Pipe Industries 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 Commission within the stipulated time pursuant to Section 237 of the Act read with Circular No. 24 of 2017 (the "Circular"):

Sr. #	Period ended	Filing due on
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. Consequently, the 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.

4. The Respondents failed to submit written response to the SCN within the prescribed time provided for the purpose. In order to provide an opportunity of personal representation, the matter was fixed for hearing on September 22, 2023 however the



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Respondents did not appear for the aforesaid hearing. Subsequently, hearing was re-fixed for October 02, 2023, however the Respondents vide letter dated September 28, 2023, submitted the response to the 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 the 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 convened on June 08, 2023 and it was hoped that the AGM for the year ended June 30, 2022 would be convened before September 15, 2023 as complete trained manpower is now working on suitable position in the Company. Completion of annual accounts is taking more time and expected to be completed during the next week and meeting of board of director is likely to be convened before October 15, 2023.
 - ii. The quarterly financial statements as on December 31, 2022 and March 31, 2023 may be prepared and approved by directors after completion and approval of Annual Accounts for the year ended June 30, 2022 in AGM, which is likely to be convened before October 31, 2023.
 - iii. The Commission 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 the Company to convene the overdue AGM for approving the accounts as on June 30, 2022 on or before September 15, 2023.
 - iv. The written submissions made may be considered as full & final and decision be taken on the basis of facts submitted therein. Further the SCN as well as hearing scheduled for October 02, 2023 may be waived, without imposing any penalty.
5. 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:

- 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).



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Sub-section (4) of Section 237 read with Section 479 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.

6. As regards the matter at hand, I have analyzed the facts of the case, relevant provisions of the Act, records available with the Commission and written reply by the Respondents; the aforementioned provisions of the law 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 and transmitted 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 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. Moreover, 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 and 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 accounts in a timely manner as stipulated under the Act.

7. It is noted that the preparation and transmission of quarterly financial statements is independent of issuance of direction by the Commission under section 474 of the Act relating to holding of AGM and does not absolve the Respondents of their 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."



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8. The responsibility for preparation and circulation of quarterly financial statements within the statutory timeframes rest with the Respondents. In this context, perusal of Company records reveals that the Respondents failed to electronically transmit the Company's quarterly financial statements for the periods ended December 31, 2022 and March 31, 2023 pursuant to Section 237 of the Act and Circular. Further the said non-compliance has also been admitted by the Respondents in their response dated September 28, 2023. It is pertinent to note that the Respondents have deprived the shareholders of their statutory right to receive quarterly financial statements of the Company within the prescribed time. It is further noted that the Company has a poor compliance history with regards to transmission of quarterly financial statements.

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 render 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 quarters ended December 31, 2022 and March 31, 2023 with the Commission within the timeframe as stipulated in Section 237 of the Act and Circular. I, therefore, in exercise of powers conferred under sub-section (4) of Section 237 of the Act, hereby impose an aggregate penalty of **Rupees two hundred and eighty thousand (PKR 280,000/-)** i.e. Rs. 10,000 apiece on the Respondents for each of the aforementioned default period as tabulated below:

Sr. #	Name of Respondent	Penalty for Quarter Ended	
		December 2022 (Rs.)	March 2023 (Rs.)
1	Mr. Muhammad Hafiz - Chairman	10,000	10,000
2	Mr. Hafiz Abdul Majid - CEO	10,000	10,000
3	Mr. Nasir Mahmood - Director	10,000	10,000
4	Mr. Nabil Abdul Rahman Ahmad Arif - Director	10,000	10,000
5	Mr. Fahad Abdul Aziz Eshaq Al Shaikh-Director	10,000	10,000
6	Mr. Talal Yousaf Mohammad Najibi - Director	10,000	10,000
7	Ms. Javeria Sami - Director	10,000	10,000
8	Mr. Asghar Imam Khalid - Director	10,000	10,000
9	Mr. Hafiz Abdul Waheed - Director	10,000	10,000
10	Mr. Hafiz Abdul Sami - Director	10,000	10,000
11	Mr. Hafiz Abdul Aleem - Director	10,000	10,000
12	Mr. Hafiz Abdul Haseeb - Director	10,000	10,000
13	Mr. Arshad Ahmed - Director	10,000	10,000
14	Mr. M. Anwar Khan - Chief Accountant/ CFO	10,000	10,000
TOTAL		140,000	140,000

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,



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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 on Respondents in respect of any default, omission or violation thereof.

Mahboob Ahmad

Additional Director/ Head of Wing

Listed Companies, Adjudication Department - I

Announced: October 06, 2023

Islamabad

