



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Say No to Corruption

Before

**Mr. Shahzad Afzal Khan, Director/Head of Department (Adjudication-I)**

In the matter of

**Board of Directors of Khyber Textile Mills Limited**

|  |  |
|--|--|
| Number and date of Show Cause Notice (SCN) | 2(415)SMD/Adj-1/2023-858<br>Dated March 28, 2023                   |
| Date of Hearing:                           | May 29, 2023   |
| Present at the Hearing:                    | Mr. Sadaqat Khan, Company Secretary<br>(Authorized Representative) |

## **ORDER**

### **UNDER SECTION 106 OF THE SECURITIES ACT, 2015**

This Order shall dispose of the proceedings initiated against Board of Directors of Khyber Textile Mills Limited (**the Company**) through Show Cause Notice No. 2(415)SMD/Adj-1/2023-858 dated March 28, 2023 (**the SCN**) issued under Section 106 of the Securities Act, 2015 (**the Act**) on account of alleged contravention of Section 103 read with regulation 3(4) of the Reporting and Disclosure of (Shareholding by Directors, Executive Officers and Substantial Shareholders in Listed Companies) Regulations, 2015 (**the Regulations**).

2. Brief facts of the case are that the following individuals (**Collectively, referred hereunder as the Respondents**) were appointed as Directors of the Company on October 21, 2022.

| S. No. | Name                      | Status               |
|--------|---------------------------|----------------------|
| 1      | Mr. Aurangzeb Khan        | Director             |
| 2      | Mr. Amanullah Khan Jadoon | Director             |
| 3      | Mr. Muhammad Bahauddin    | Director             |
| 4      | Mr. Adam Jadoon           | Director             |
| 5      | Mr. Hassan Ovais          | Independent Director |
| 6      | Ms. Amna Jadoon           | Director             |
| 7      | Mr. Nusrat Iqbal          | Independent Director |

3. In terms of Section 103 of the Act read with regulation 3(4) of the Regulations, the Respondents were required to file Form 5 with the Commission, within 7 days of becoming the Director of the Company. However, the record available with the Securities and Exchange Commission of Pakistan





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(the Commission) transpires that no compliance was made by any of the Respondents/Directors.

4. The relevant provisions of the law are reproduced as under:

### Section 103 of the Act:

#### **"103 - Notification to the Commission of directors and others' interest**

(1) Every director, executive officer or substantial shareholder of a listed company shall submit to the Commission in the prescribed form -

(a) a statement of beneficial ownership in the listed equity securities of the company or any other nature of securities as may be prescribed by the Commission;

(b) the particulars of any change in the interest aforesaid; and

(c) any change in his position.

(2) The reporting requirement imposed by sub-sections (1) shall be fulfilled before the expiration of a period of seven days beginning with the day on which the requirement first arises."

### Regulation 3(4) of the Regulations:

#### **"3 - Reporting of Beneficial ownership in listed equity securities under Section 101 to Section 103 of the Act ...**

(4) The directors, executive officers and substantial shareholders of the equity securities in a listed company shall in accordance with section 103 of the Act submit statement of Beneficial ownership in Form 5 and report any subsequent change therein or position to the Commission on Form 6."

### Section 106 of the Act:

#### **106. Directive by the Commission.—(1) ...**

(2) where any person who contravenes or fails to comply with any provision of sections 101, 102, 103, 104, 105 and 107, the Commission may by order in writing direct,—

(a) in the case of an individual, to pay by way of penalty to the Commission such sum which may extend to five hundred thousand rupees and to a further sum which may extend to one thousand rupees per day for every day during which the default continues;"

5. The Commission vide letter dated February 28, 2023 sought explanation from the Respondents with respect to their alleged failure to file Form 5. The Company Secretary vide letter dated March 06, 2023 submitted on behalf of the Respondents that the delay in submission of the Forms 5 was due to an oversight which has subsequently been rectified by the Respondents. However, as per the record of the Commission the Respondents filed Form 5 on March 02, 2023 with **delay of 125 days**.

6. From the above, the Respondents, *prima facie*, have violated Section 103 of the Act read with regulation 3(4) of the Regulations which attracts applicability of the penal provision of Section 106(2)(a) of the Act. Accordingly, the Commission while taking cognizance of the aforementioned non-compliance served the SCN upon the Respondents, requiring them to submit their written reply within 14 days of the date of the SCN.

7. In response to SCN, the Respondents vide letter dated April 05, 2023 submitted their reply as under:





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"...The delay in submission of the Forms was due to an oversight, which has been rectified as we have filed Form 5 for our all Directors. We appreciate your office for bringing this matter to our attention. We assure you that the same will not be repeated in the future, as we strive for compliance. kindly take a lenient view of this matter and close the proceedings of the Show Cause Notice."

8. The Company was provided opportunity of personal representation and the hearing was fixed in the matter for May 29, 2023. The hearing was attended by Mr. Saqadat Khan, Company Secretary, as Authorized Representative (**the Representative**) on behalf of the Respondents. During the course of hearing, the Representative was advised to explain the reasons for the alleged non-compliances, as narrated in the SCN. The Representative reiterated the written arguments and submissions made in the written reply and admitted occurrence of delay in filing Forms 5. He further submitted that the submission of Forms 5 was overlooked; however, subsequently, Forms 5 have been filed by the Respondents. The Representative requested that a lenient view may be taken in the matter.

9. I have gone through the facts of the case and considered the submissions of the Representative both written and verbal in light of the applicable provisions mentioned in the preceding paras and the available record and noted that the Respondents were required to file their returns of beneficial ownership on Form 5 within seven (07) days of becoming director of the Company as required under Section 103 of the Act read with regulation 3(4) of the Regulations. Further, the admission made by the Respondents in late filing of the required returns on Form 5 to the Commission, is on the record. As per record of the Commission, the Respondents filed their respective Form 5 after a substantial delay of 125 days i.e. on March 02, 2023.

10. In view of the foregoing and the verbal submission made by the Respondents, non-compliance/contravention of the provisions Section 103 of the Act read with regulation 3(4) of the Regulations has been established and same has also been admitted by the Representatives. Therefore, in exercise of the powers conferred upon me under Section 106(2)(a) of the Act, I hereby impose a penalty of **Rs.35,000/- (Pak Rupees Thirty-Five Thousand Only)** on the Respondents, in the following manner:

| S. No.       | Name of Director(s)       | Amount of Penalty Imposed (Rs.) |
|--------------|---------------------------|---------------------------------|
| 1.           | Mr. Aurangzeb Khan        | 5,000                           |
| 2.           | Mr. Amanullah Khan Jadoon | 5,000                           |
| 3.           | Mr. Muhammad Bahauddin    | 5,000                           |
| 4.           | Mr. Adam Jadoon           | 5,000                           |
| 5.           | Mr. Hassan Ovais          | 5,000                           |
| 6.           | Ms. Amna Jadoon           | 5,000                           |
| 7.           | Mr. Nusrat Iqbal          | 5,000                           |
| <b>Total</b> |                           | <b>35,000</b>                   |

11. The Respondents are directed to deposit the aforesaid penalty in the account of the Commission being maintained with the designated branches of MCB Bank Limited, within a period of thirty (30) days of the announcement of this Order, and furnish original Deposit Challan to this office.







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12. This Order is issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with the law(s) on matter subsequently investigated or otherwise brought to the knowledge of the Commission.

**(Shahzad Afzal Khan)**  
Director/Head of Department  
(Adjudication Department-I)



**Announced:**  
June 21, 2023  
Islamabad