



Corporate Supervision Department  
Company Law Division

SECP Before Ali Azeem Ikram – Executive Director (Corporate Supervision Department)

*In the matter of*

**Globe Textile Mills Limited**

Number and date of notice: EMD/233/126/2002-1108-1114 dated January 17, 2014  
Date of hearings: November 19, 2015  
Present: Mr. Arif Haji Habib –Chief Executive  
Mr. Jawwad Shekha- M/s Shekha & Mufti, Chartered Accountant  
Authorized Representative

**ORDER**

**UNDER SECTION 495 READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984**

This order shall dispose of the proceedings initiated vide show cause notice dated January 17, 2014 issued to following chief executive and directors (“respondents”) of Globe Textile Mills Limited (“Company”) for default made in complying with the provisions of Section 495 read with Section 476 of the Companies Ordinance, 1984 (“Ordinance”).

S.#	Names of Respondents
1	Mr. Arif Haji Habib, Chief Executive
2	Ms. Farzana Arif, Director
3	Ms. Gul Bano Haji Habib, Director
4	Mr. Arshad Arif, Director
5	Ms. Misbah Arif, Director
6	Ms. Farzeen Fazl-e-Umer
7	Ms. Sameera Yasin Saya

2. The facts leading to this case, briefly stated, are that, the Securities & Exchange Commission of Pakistan (“the Commission”) vide an interim order dated June 23, 2008 and thereafter by a subsequent order dated December 22, 2008 under Section 196 read with Section 472 and 492 of the Ordinance, while disposing of the proceedings initiated against the Company and respondents had directed to record a liability in respect of Mr. Arif Haji Habib (“respondent 1”) amounting to Rs. 53.736 million. The said liability was acknowledged in following words;

*“The transaction to waive off Rs. 206.150 million due from GTML in respect of “due to related parties” and concurrence of Mr. Arif Habib to record Rs. 53.736 million as due from him requires to be documented as to ensure it is legally enforceable”*



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3. Copy of minutes of the EOGM of the Company held on December 29, 2008 provided by the Company, at its para (4) reflect that;

*"The chief executive of the Company has taken upon himself to share the total loss to the extent of Rs. 264.886 million. The loss would be adjusted against the amount due under the head "due to related parties" and the balance amount of Rs. 53.736 million will be recorded in the accounts to be receivable from the sponsor director Mr. Arif Haji Habib within the next three years."*

4. Record available with the Commission reveals that the Company vide letter dated January 2, 2009 provided copies of agreements dated January 1, 2009 and January 3, 2009 respectively reaffirming the aforesaid minutes. In pursuance of aforesaid respondent 1 was legally bound to settle the amount of Rs. 53.736 million by December 30, 2011.

5. The directors report dated October 2, 2013, accompanying the annual audited accounts for the year ended June 30, 2013 in response to auditors qualification regarding non receipt of advance to respondent 1 states that *"This reflects earlier charge off made in the company's books of accounts in respect of impairment of inventories which has been recorded under the SECP order and the amount is good and will be realized"*.

6. Respondent 1 by not making payment of the amount of Rs.53.736 million by December 30, 2011 to the Company has, prima facie, failed to honor his commitment made with the Company through a legal agreement, furnished to the Commission as an implied compliance of its direction vide order dated December 22, 2008 under Section 196 read with Section 472 and 492 of the Companies Ordinance 1984 and fulfilling his commitment made to the Commission in the hearing held on December 17, 2008 mentioned at para – 8 of the aforementioned Order [Agreement to pay the amount in next three year was made on December 30, 2008]. It has been observed from statutory auditor qualification and Company's response thereon that the respondent 1 has, prima facie, contravened the provisions of subsection 1 of Section 495 of the Ordinance; therefore, show cause notice dated January 17, 2014 was issued to the respondents.

7. Subsequent to several hearing opportunities and repeated adjournment requests a hearing was finally held on February 17, 2015. It was submitted during the hearing that the chief executive is liable to repay the amount due and will only do so when he has enough funds available. However the respondent 1 indicated his willingness to surrender his shares in the Company and was given time to submit a repayment plan.





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8. Thereafter respondents vide letter dated April 29, 2015 submitted that the proposal regarding surrender of equivalent value of shares held by the CEO in the Company through reduction of share capital is not possible as per advice by their legal counsel. The petition under Section 96 of the Ordinance required that any reduction in share capital will have to be pro-rated for all shareholders and cannot be specifically by way of surrender of shares by one or more shareholders. Instead it was proposed that out of total 13,417,306 shares held by the CEO and other family members, 5,373,600 shares having a face value equal to the subject receivable can be transferred directly to the minority shareholders on a pro-rata basis which will result in the CEO paying the equivalent amount of the subject receivable to Company and the Company then distributing the benefit of the subject receivable exclusively to the minority shareholders. The present holding of minority shareholders is in the range of 18.02% of the total issued shares of the Company. Once these shares are transferred to the minority shareholders by the CEO, Company will write-off the subject receivables from its books with the approval of board of directors.

9. In order to provide another opportunity of personal hearing, the case was fixed before the undersigned on November 19, 2015. Respondent 1 and Mr. Jawwad Shekha appeared on behalf of respondents before the undersigned and reiterated the earlier stance taken by the respondents in the written reply, however the respondent was questioned on the benefits of transfer of such share to shareholder whose trading had been suspended. These shares in the present circumstance do not have any value on the following counts;

- The operations of the Company are suspended and its assets have been sold off.
- Trading of the shares is suspended by the Stock Exchanges.

The respondents again showed their inability to repay the liability towards the Company.

10. Before proceeding with the order, I feel it necessary to quote the mandatory provisions of Section 495 of the Ordinance which states that:

*"Where any directive is given or order is issued by the Court, the officer, the Commission, the registrar or the Federal Government under any provision of this Ordinance, non-compliance thereof within the period specified in such direction or order shall render every officer of the company or other person responsible for non-compliance thereof punishable, in addition to any other liability, with fine not exceeding fifty thousand rupees and, in the case of a continuing non-compliance, to a further fine not exceeding two thousand rupees for every day after the first during which such non-compliance continues."*



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11. In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 495 of the Ordinance have been delegated to Executive Director (Corporate Supervision Department).

12. I have analyzed the facts of the case, relevant provisions of the Ordinance, arguments put forth by the respondent and representative and observed that the respondent 1 by not making payment of the amount of Rs.53.736 million by December 30, 2011 to the Company has failed to honor his commitment made with the Company through a legal agreement, furnished to the Commission as implied compliance of its direction vide order dated December 22, 2008 under Section 196 read with Section 472 and 492 of the Ordinance. Moreover, during the subject proceedings the respondent has once again failed to demonstrate any visible efforts to repay the liability despite provision of repeated hearing opportunities.

13. For the foregoing reasons, I am of the firm opinion that the respondent 1 has contravened the provisions of sub section 1 of Section 495 of the Ordinance by not complying with the direction of the direction of the Commission and settling the amount in accordance to the legal binding. I, therefore, in exercise of the powers conferred by Section 495 of the Ordinance, hereby impose a fine of Rs.50,000/- (Rupees fifty thousand only) on respondent 1, and direct him to repay the amount of Rs.53.736 million to the Company immediately.

The aforesaid fines must be deposited in the designated bank account maintained with MCB 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 fine, proceedings for recovery of the fines as arrears of land revenue will be initiated. It may also be noted that the said fine is imposed on respondent 1 in his personal capacity; therefore, he is required to pay the said amount from personal resources.

**Ali Azeem Ikram**  
Executive Director  
Corporate Supervision Department

**Announced:**  
December 8, 2015  
Islamabad