



Securities and Exchange Commission of Pakistan

Adjudication Division
Adjudication Department-I

Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)

In the matter of Mian Textile Industries Limited

Dates of Hearing

July 17, 2020, September 18, 2020

Order-Redacted Version

Order dated November 4, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Mian Textile Industries Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated November 14, 2019
2. Name of Company	Mian Textile Industries Limited
3. Name of Individual*	The proceedings were initiated against the directors of the Company i.e. Mian Textile Industries Limited
4. Nature of Offence	Violations of section 196 and section 476 of the Companies Ordinance, 1984.
5. Action Taken	Key findings were reported in the following manner: I have examined the facts of the case, that Section 196(3) of the Ordinance necessitates prior authorization of members as it provides, the directors of a public company or of a subsidiary of a public company shall not except with consent of the general meeting either specifically or by way of an authorization, sell, lease or otherwise dispose of the undertakings or sizable part thereof unless the main business of the company comprises of such selling or leasing. The word "shall" make it necessary for the aforesaid sizable lease arrangement to seek prior consent or authorization of the members. The Authorized Representative was of the view that the Company was in an acute financial crisis and short of funds, so calling the shareholders meeting and then taking approval of the same would have taken considerable time and in the meanwhile the Company could have lost the contract with the parties, because they had other available options as many other mills were available on lease and immediate decision had to be taken. He informed that the shareholders granted EX-post facto approval which was legal.



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	<p>2. In the aforementioned matter, stance is admission to non-compliance of the requirements of section 196(3)(a) of the Ordinance and also that the EX-post facto consent of the members sought in AGM of 2014 was related to lease arrangement of Company B only whereas no consent or authorization of members was sought for lease arrangements of main factory area, residential quarters and guest house and building of weaving plant, which were entered Company A and Company C. Hence, I am of the view that requirements of section 196(3)(a) of the Ordinance have been violated by the Respondents for not seeking its prior consent or authorization of members for lease arrangements entered into with Company A, Company C and for Ex-post facto consent of members of Company B. The default was duly admitted and reasons cited was immediate decision making and financial difficulties faced by the Company, which however, do not exonerate the Respondents from ensuring compliances of the requirements of the Ordinance.</p> <p>3. Non-compliance was duly admitted due to reasons cited, I am of the view that the provisions of clause (a) to sub-section (3) of Section 196 of the Ordinance have been contravened and the Respondents and are liable under the sub-section (4) of Section 196 of the Ordinance.</p> <p>A penalty of Rs. 50,000/- (Rupees fifty thousand) on the Chief Executive of the Company.</p> <p>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 or violation of the Act.</p>
6. Penalty Imposed	Penalty was deposited.
7. Current Status of Order	No Appeal has been filed by the respondents.

Redacted version issued on June 08, 2021 for placement of website of the Commission.