



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 the board of directors of a company is entrusted to exhibit its fiduciary duty to borrow funds and to ensure utilization there against in the best interest of the company and its shareholders. The board can exercise its powers to borrow funds with due care and diligence in the best interest of the shareholders. Any expenses incurred need to be for the purpose of the business of the company and directors' powers to utilize proceeds of borrowing are subject to the compliance requirements of the Ordinance. Moreover, in terms of the provisions of the Ordinance, in order to borrow funds, the approval of directors through resolution passed in meeting is mandatorily required. The directors are thus liable to exercise their powers in accordance with the provisions of the Ordinance and to exercise due care for borrowing funds in particularly when such borrowings are made from directors and other related parties and associated companies. However, in the instant case, the Respondents being directors of the Company, did not substantiate



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	<p>their case through resolutions passed in meeting of directors and by providing relevant evidence of utilization of proceeds of loans for availing borrowing facilities from directors and other related parties without any agreement in place. The amounts borrowed from directors and other related party over a period are material in nature and cannot be ignored. The aforesaid clearly reveals leniency on the part of the directors of the Company while ensuring compliance of the given requirements of law.</p> <p>2. In the aforementioned matter, requirements of section 196(1) and section 196(2)(d) of the Ordinance have been violated for not providing substantiating evidences of utilization of proceeds of loans received from directors and other related parties, copies of relevant agreements of borrowings and resolution of directors in their meeting to borrow funds of significant amounts over given period of years. Hence, the Respondents are liable under the sub-section (4) of Section 196 of the Ordinance. Taking cognizance of the submissions of the Respondents and in exercise of the powers conferred under aforesaid provisions of the Ordinance, I hereby impose penalty of Rs. 70,000/- (Rupees seventy thousand only) 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 imposed on Chief Executive Officer of the company and remaining respondents were warned to ensure compliance of law in future.
7. Current Status of Order	Penalty was deposited. No Appeal has been filed by the respondents.

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