



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 226 read with section 229 and section 476 of the companies Ordinance, 1984.
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have analyzed the facts of the case, relevant provisions of the Ordinance, arguments put forth by the Authorized Representative and reply submitted. As per lease agreement dated October 28, 2014, there was not explicated clause to utilize the aforesaid amount of security of Rs. 10 million. As per available information, an amount of Rs. 10 million stood payable as on June 30, 2015 and 2016 on account of 'security deposits', which was received from Company A and was utilized in the operations of the Company. I am of the view that:</p> <p>(a) In the aforementioned matter, the amount of Rs. 10 million was not a "temporary" deposit, as duration for which the amount placed with the Company reflect that it was long term in nature, and for a deposit to be temporary in nature, it needs to be short term in nature and to be received for the purpose of making sale or purchase in accordance with contract in writing. The respondent's</p>



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	<p>stance that the amount received was temporary in nature does not hold ground due to the cited lease arrangement.</p> <p>(b) In terms of section 226 of the Ordinance, an amount received as both for the purpose of “security” or “deposit” is required to be kept or deposited in separate bank account. The deposit of amount of any duration either temporary or long term are required to be kept or deposited in special bank account provided a contract of utilization of such amount does not exist. In case of the Company, the amount of Rs.10 million was payable for two years period, hence, duration and nature of the arrangement does not justify to be considered.</p> <p>(c) The amount of Rs. 10 million was received as security against leasing arrangement and such arrangement was not relevant to ordinary course of business of the Company being a textile company.</p> <p>2. In view of above, compliance of the requirements of section 226 of the Ordinance was not ensured by the Respondents as an amount of Rs. 10 million received from Company A against a leasing arrangement, were not kept or deposited in a separate bank account. I, in term of section 229 of the Ordinance, hereby impose aggregate penalty of Rs. 3,000/- (Rupees three thousand) on the Chief Executive of the Company for contravention of the requirements of section 226 of the Ordinance.</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.
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.