



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before Shahzad Afzal Khan - Director/ Head of Department

*In the Matter of*

**Crescent Jute Products Limited**

Number and Date of SCN: CSD/ARN/282/2016-177 dated June 23, 2023

Dates of Hearing: July 27, 2023;

Present: Tahir Hussain, Company Secretary

## ORDER

**Under Section 512(2) of the Companies Act, 2017 and Section 479 thereof read with the Listed Companies (Code of Corporate Governance) Regulation, 2019**

This Order shall dispose of the proceedings initiated against the following directors and the Company through the Chief Executive (**the Respondents**) of Crescent Jute Products Limited (**the Company**) through Show Cause Notice dated June 23, 2023 (**the SCN**) issued under Section 512(2) of the Companies Act, 2017 (**the Act**) and Section 479 thereof read with the Listed Companies (Code of Corporate Governance) Regulation, 2019 (**the Regulations**):

- i. Crescent Jute Products Limited through Chief Executive;
- ii. Mr. Humayun Mazhar, Chief Executive;
- iii. Mr. Khurram Mazhar Karim, Director;
- iv. Miss Rijah Khurram Mazhar, Director;
- v. Mr. Shahjahan Mazhar Karim, Director;
- vi. Mr. Shameel Mazhar, Director;
- vii. Mr. Shehryar Mazhar, Director; and
- viii. Mr. Wasim Akram, Director

2. The Company is listed on Pakistan Stock Exchange (PSX) and is engaged in manufacturing and sale of jute products including jute bags. As disclosed in relevant annual audited financial statements of the Company for the year ended June 30, 2022, its shares trading was suspended by the PSX. Brief facts of the case are that election of the directors to elect seven directors on the board of the Company was held in the extra ordinary general meeting (EOGM) held on March 24, 2023. In this regard, relevant Form 29 dated April 6, 2023, and disclosure of names of directors in the quarterly accounts for the period ended March 30, 2023 transpired that only one independent director namely Mr. Muhammad Asif was elected in the aforesaid election of directors. The Company, being listed on PSX, was required to appoint at least two independent directors on the board, out of total seven, as per the mandatory requirements of regulation 6(1) of the Regulations. In view of the aforesaid, *prima facie*, the requirements of regulation 6(1) of the Regulations were



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I  
Adjudication Division

*Continuation Sheet - 1 -*

contravened. Therefore, taking cognizance of the alleged non-compliance proceedings were initiated against the Respondents through the SCN requiring them to show cause in writing within ten (10) days, as to why penalty, as provided in terms of regulation 37 read with Section 512(2) of the Act should not be imposed on them.

3. In reply to the SCN, the Company through its letter dated nil received on July 17, 2023, *inter alia*, submitted that:

*"Reference to your notice # CSD/ARN/282/2016-177 dated June 23, 2023 regarding the captioned subject, in this connection we wish to inform you that:*

- *Election of Directors were held on March 24, 2023 and as required under Section 159 all the formalities were fulfilled accordingly.*
- *Seven (7) consents included Mr. Muhammad Asif (Independent Director) and Miss Rijah Khurram Mazhar (Female) Director were received.*
- *Due to Companies placement as defaulter segment and liquidation filed by the SECP no other consent of independent received by the Company.*
- *We have tried our best to search Independent Director and tried to appoint one more Independent Director on the Board of the Crescent Jute Products Limited.*

*In context you are requested to please give us time to compliance with all relevant law regarding appointment of Independent Directors."*

4. In order to provide an opportunity of personal representation, hearing in the matter was fixed for July 27, 2023. On the date of hearing, Mr. Tahir Hussain, Company Secretary appeared. He, *inter alia*, submitted that:

- (i) Reiterated response as was given in writing;
- (ii) No one shown interest and filed consent to be elected as independent director despite the fact that notice of election of directors was duly published;
- (iii) The Company's operations are closed and it is a loss-making company and trading in the shares of the Company is suspended;
- (iv) The Company is searching another independent director; therefore, time is required to comply with the given requirements.

5. I have gone through the facts of the case, the submissions made in writing and during the hearing proceedings, and it is observed that the requirements of regulation 6(1) of the Regulations are mandatory in nature. In terms of the aforesaid, it is required to have at least two or one third of the board members as independent directors. In case of the instant proceedings, only one independent director namely Mr. Muhammad Asif was elected consequent to the aforesaid election of directors. However, another required independent director has not been appointed till date. I am of the view that the independent directors are essentially outside directors who play an important role in corporate governance and they provide unbiased advice, perspective, and judgment to the board of directors. The presence of independent directors is not only legal requirement but also, they are expected to evaluate corporate matters independently due to their



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I  
Adjudication Division

Continuation Sheet - 2 -

conduct, manner and judgement. The Respondent's stance in this regard that due to the closure of operations of the Company, another independent director could not be appointed, however, the said stance does not hold ground. Therefore, the Company has failed to appointed two independent directors on its board, hence, violation of mandatory requirements of the regulation 6(1) of the Regulations is attracted.

6. In view of the foregoing, the violation of regulation 6(1) of the Regulations persisted from the date of election of directors till date. I, therefore, in terms of the powers conferred under Section 512(2) of the Act read with regulation 37 of the Regulations and regulations 6(1) thereof, hereby, impose an aggregate penalty of **Rs. 50,000/- (Rupees Fifty Thousand only)** on the **Respondent Company**. Moreover, the Respondents are also advised to be careful and to ensure compliance of the regulatory framework in future.

7. The Respondents are, hereby, directed to deposit the aforesaid amount of penalty in the designated bank account maintained in the name of the Securities and Exchange Commission of Pakistan with the MCB Bank Limited within thirty (30) days from the date of this Order and to furnish a receipted bank challan to the Commission forthwith. In case of failure to deposit the penalty, the proceedings under Section 485 of the Act will be initiated for recovery of the fines as arrears of land revenue.

8. Nothing in this Order may be deemed to prejudice the operation of any provisions of the Regulations/ Act providing for imposition of penalties on the Respondent in respect of any default, omission or violation thereof.



**Shahzad Afzal Khan**  
Director/ HOD  
Adjudication Department-I

**Announced:**  
August 4, 2023  
Islamabad