



Securities and Exchange Commission of Pakistan

Adjudication Division

Adjudication Department

Before Shahzad Afzal Khan,

Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Asim Textile Mills Limited

Date of Hearing

June 06, 2022, June 24, 2022, September 15, 2022, November 30, 2022, December 19, 2022, January 04, 2023, January 16, 2023 and January 25, 2023

Order-Redacted Version

Order date February 01, 2023 was passed by Director/Head of Department (Adjudication-I) in the matter of Asim Textile Mills Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated May 09, 2022
2. Name of Company	Asim Textile Mills Limited
3. Name of Individual*	The proceedings were initiated against 05 Directors of Asim Textile Mills Limited
4. Nature of Offence	Under sections 176(1), 205(1) and 207(1) of the Companies Act, 2017 read with Section 479
5. Action Taken	<p>Key findings were reported in following manner:</p> <p>I have gone through the facts of the case, and considered the written submissions and the arguments made during the hearings, in light of the aforesaid legal provisions and the record placed before me and state as under:</p> <p>(i) <u>Disclosure of interest of directors under Section 205 of the Act:</u> The Company in its meeting held on April 29, 2020 approved the aforementioned transactions with associated company i.e. ZEL. It is hereby pointed out that Section 205 of the Act provides for disclosure of nature of direct as well as indirect interest in any contract or arrangement entered or to be entered at the meeting of the board. Therefore, in context of the subject Company, the common directors of ZEL namely; (i) Mr. *****, and (ii) Mrs. *****, were required to disclose their interest in the meeting of the board of directors held on April 29, 2020 w.r.t. the transactions with ZEL, in terms of the requirements of Section 205 of the Act.</p> <p>Minutes of the Board meeting provided by the Company did not state any such disclosure by the subject directors. However</p>



Securities and Exchange Commission of Pakistan
Adjudication Division
Adjudication Department-I

the Respondents vide their reply dated December 23, 2022 submitted that all the interested directors i.e. Mr. *****, Mr. ***** and Mrs. ***** had given notice to the Board about their interest in ZEL and also furnished copies of said notices dated October 04, 2019, as evidence.

I have gone through the evidence of compliance i.e. notice dated October 04, 2019 provided by the Respondent and of the view that the interested directors complied with the provision of Section 205 of the Act, by disclosing their interest through aforesaid notice. Therefore, there is no case of violation with the provision of section 205 of the Act.

(ii) Interested director not to participate or vote in terms of Section 207 of the Act:

With regard to the provision of Section 207 of the Act, the Respondents have not disputed the fact that the two of the interested directors were present in the meeting held on April 29, 2020. Moreover, minutes of the Board's stated meeting did not disclose that the interested directors recused from discussion and voting, when the matter of transactions with associated company i.e. ZEL was being considered and approved. It may be noted that in view of requirements of subsection (1) of Section 207 of the Act, interested directors of a company are prohibited to participate in discussion and vote on any contract/ arrangement entered or to be entered where such director is directly or indirectly concerned. For listed companies, the requirements are further stringent as to the presence of a director having material personal interest is prohibited to be present in such meeting of the board while considering the said matter.

Hence, it is noted that the Respondents namely; (i) Mr. *****, and (ii) Mrs. ***** had interest in transactions of the Company with ZEL due to their directorship and shareholding therein, and by participating in the consideration and approval of the transaction with ZEL; these two Respondents, being directors of the Company contravened the provisions of Section 207 of the Act.



Securities and Exchange Commission of Pakistan
Adjudication Division
Adjudication Department-I

(iii) Insufficient Quorum and matter to be placed before general meeting:

Minutes of meeting of the Board held on April 29, 2020 discloses that matter of transaction with associated company i.e. ZEL was placed before the Respondents for consideration and approval. Considering the fact that the aforesaid two out of five directors; namely; (i) Mr. *****, and (ii) Mrs. *****; were interested in transactions with ZEL; hence, they were required to refrain from participation and voting in the meeting of the Board and their presence could not be counted for the purpose of forming the quorum while considering the transactions with ZEL. Therefore, the quorum of meeting dated April 29, 2020 in terms of Section 176 of the Act was not formed.

11. In view of the foregoing, I hereby conclude that with respect to the transaction executed by the Company with ZEL, an associated company/ related party; by not:

- a. abstaining from participating in the proceedings of the Board meeting relating to the consideration and approval of the transaction by the Company with ZEL; the two (2) directors of the Company namely; (i) Mr. *****, and (ii) Mrs. ***** had contravened the provisions of Section 207 of the Act and, therefore, are liable to be penalized; and
- b. obtaining approval, in the absence of quorum in the Board meeting dated April 29, 2020, for the aforesaid transaction with ZEL, all the Respondents, being directors of the Company, had contravened the provisions of Sections 176 of the Act and are liable to be penalized.

Taking cognizance of the aforesaid established contraventions/ non-compliances and also of the fact that Mrs. ***** expired on April 21, 2021, I in exercise of the powers conferred under Section 176 and 207 of the Act, hereby impose aggregate penalty of **Rs. 50,000/- (Rupees fifty thousand only)** on the Respondents.

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, violation of the Act.



Securities and Exchange Commission of Pakistan
Adjudication Division
Adjudication Department-I

6. Penalty imposed	Rs. 50,000
7. Current Status of Order	No appeal has been filed by the respondents.