



Securities and Exchange Commission of Pakistan

Adjudication Division
Adjudication Department-I

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

In the matter of Yousaf Weaving Mills Limited

Dates of Hearing

May 5, 2020, July 3, 2020, September 1, 2020,
September 23, 2020, November 16, 2020

Order-Redacted Version

Order dated December 03, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Yousaf Weaving Mills Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated April 15, 2019
2. Name of Company	Yousaf Weaving Mills Limited
3. Name of Individual*	The proceedings were initiated against the directors of the Company i.e. Yousaf Weaving Mills Limited
4. Nature of Offence	Violations of section 196 and section 476 of the Companies Ordinance, 1984 read with SRO 1227(I)/2005 dated December 12, 2005
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, correspondence of the Company and arguments put forth in the reply submitted.</p> <p>I would like to conclude the matter based on the below mentioned;</p> <p>As per EOGM held on April 20, 2012, the members approved to sell dairy division of the Company and authorized chief executive and a director of the Company to deal with matters of proposed sale of assets of dairy division. The disposal of dairy division was however took place in the financial year 2016 and the aforesaid disposal did not take place within one year of the date of resolution of members i.e. April 20, 2012. The Company in its subsequent Accounts from 2012 to 2015 used to disclose the assets of dairy division as "held for disposal". As per</p>



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available information, the decision of the members to dispose of dairy division having value of 2015: Rs. 220,197,542 (2016: Nil) was not implemented within one year i.e. latest by April 19, 2013. As per the requirements of SRO, the Company was required to seek fresh approval of the shareholders for disposals of assets relating to dairy division, after lapse of one-year period as the shareholders' approval dated April 20, 2012 was time bound and was valid for one year only.

One year period specified in SRO for implementation of decision of the members for disposal of assets in terms of section 196(3) of the Ordinance is primarily to seek fresh authority of members after the lapse of period, and to update the members through disclosures to be made in statements of material facts, about the cost and market value of the assets, being sizable undertaking, due to changing market trends, so that members could decide in the best interest of a company. The Company, however, instead to seek fresh authority of members proceeded to dispose of its dairy division having value of Rs. 220,197,542 in financial year 2016.

Provision of SRO clearly provides that: *"In case any decision to sell assets of Company under authority of a special resolution already passed, is not implemented within one year the resolution would stand lapsed"*. The circumstances of the Company clearly reveal that a process was initiated for disposal of dairy business as per authority of members in EOGM held on April 30, 2012, however, the decision could not be implemented within one year period as per aforesaid SRO, in terms of which, it is abundantly clear that the decision or authority of the members for disposal of dairy assets had lapsed after one year period i.e. on April 19, 2013.

In view of the foregoing, I am of the view that the Company was unable to sell/dispose of dairy division within one-year period from the date of the approval of shareholders and thereby found in non-compliance with the requirements of SRO, and failed to seek shareholders' approval in term of Section 196(3) of the Ordinance subsequent to lapse of one-year period on April 19, 2013. Hence, by disposal of dairy division having value of Rs. 220,197,542 without a valid authority of members, the Respondents have violated the requirements of section 196(3) of the Ordinance.



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	<p>Moreover, subsequent to aforesaid disposals, the matters was never placed before the members for their ratification or subsequent approval for disposal of dairy division at the given terms and conditions of sale as approved by the members in 2012. In terms of section 196 of the Ordinance, it is clear that the board of directors of a public company or of a subsidiary of a public company is restricted to sell, lease or otherwise dispose of the undertakings or a sizeable part unless prior authorization/consent by shareholders in general meeting is obtained. Requirements of SRO are also clear w.r.t validity of any decision to sell assets under authority of a special resolution already passed if not implemented within one year, the resolution would stand lapsed. Hence, approval of members in terms of section 196(3) of the Ordinance is time bound and disposal after the lapse of period does not satisfy the purpose of Section 196 of the Ordinance and of the SRO.</p> <p>Keeping in view, a penalty of Rs. 240,000/- (Rupees two hundred and forty thousand) was imposed on the Respondents (Rs. 30,000 per Respondent total 8 Respondents).</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 all the respondents.
7. Current Status of Order	Appeal has been filed by the respondents.

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