



Corporate Supervision Department
Company Law Division

Before Mr. Abid Hussain – Executive Director (CSD)

In the matter of

Safa Textile Mills Limited

Number and date of SCN: No. CSD/ARN/148/2015-2911-17, dated February 24, 2017

Date of hearing: March 17, 2017, March 29, 2017, April 10, 2017, April 17, 2017 and February 6, 2018

Present: Mr. Taha Farooq, Accounts Manager, Safa Textile Mills Limited (Authorized Representative)

ORDER

UNDER SECTION 245 READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984

This order shall dispose of the proceedings initiated against the following directors including the Chief Executive (*the "respondents"*) of Safa Textile Mills Limited (*the "Company"*):

- 1 Mr. Adnan Iqbal
- 2 Syed Iqbal Hussain
- 3 Syed Tarique Hussain
- 4 Mrs. Farhat Iqbal
- 5 Mrs. Seema Adnan
- 6 Mrs. Sabeen Tarique
- 7 Syed Marib Hussain

The proceedings against the respondents were initiated through show cause notice dated February 24, 2017 (*the "SCN"*) under the provisions of section 245 read with section 476 of the Companies Ordinance, 1984 (*the "Ordinance"*).

2. The brief facts of the case are that the Company did not file the interim financial statements ("Quarterly Accounts") for the following periods with the Commission, in a timely manner as per requirements of section 245 of the Ordinance:

| Quarter Ended | Due On |
|---------------|-----------|
| 31-Dec-15 | 29-Feb-16 |
| 31-Mar-16 | 30-Apr-16 |
| 30-Sep-16 | 31-Oct-16 |



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 1 -

Consequently, the SCN was issued to the respondents wherein they were called upon to show cause in writing within fourteen days as to why penal action may not be taken against them under sub-section (3) of section 245 of the Ordinance for not filing the aforesaid quarterly accounts with the Commission in a timely manner, as per requirements of the law.

3. Hearings in the matter were fixed on March 17, 2017 and March 29, 2017 on which no one appeared whereas Mr. Taha Farooq, Accounts Manager (*the "Authorized Representative"*) appeared on behalf of the Company on April 10, 2017. He requested for some time for filing of the pending quarterly accounts on the ground that the Company had not been operative since July 2016. The Company filed a written reply dated April 13, 2017 wherein it was stated that the Company is facing financial crises and also the staff strength is low, the financial statements could not be prepared in time however, the Company is trying its level best to do so.

4. Hearing in the matter was re-fixed for April 17, 2017 on which Mr. Taha Farooq again appeared on behalf of the Company. He submitted that the quarterly accounts for the period ended on December 31, 2015 had been filed with PSX whereas the remaining quarterly accounts are still due because of staff shortage faced by the Company. The website of PSX was checked and it was confirmed accounts for the quarter ended December 31, 2015 were filed there. The final hearing was fixed for February 6, 2018 on which no one appeared nor any update regarding the non-filing of the quarterly accounts has been submitted.

5. Before proceeding further, it is necessary to advert to the following relevant provisions of the Ordinance.

In terms of sub-section (1) of section 245 of the Ordinance read with Commission's circular no. 9 dated March 19, 2003, all listed companies are, inter alia, required to file their quarterly accounts with the Commission within stipulated time i.e. one month from the close of first and third quarters and two months from the close of second quarter.

Sub-section (3) of section 245, inter alia, provides as under:

(3) If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief accountant of the company who has knowingly by his act or



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 2 -

omission been the cause of such default shall be liable to a fine of not exceeding one hundred thousand rupees and to a further fine of one thousand rupees for every day during which the default continues.

In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 245 have been delegated to the Executive Director (Corporate Supervision Department).

6. I have analyzed the facts of the case, relevant provisions of the Ordinance, and submissions made by the respondents. Before deciding upon on matter, I would like to highlight that the requirement to circulate quarterly accounts was introduced so that the shareholders could timely access to information about the affairs of companies. Circulation of quarterly accounts in a timely manner not only provide shareholders reliable information regarding a company's financial position and performance but these also show the results of management's stewardship of resources entrusted to it. In order to ensure transparency, all companies must meticulously follow the legal requirement for preparing and circulation of quarterly accounts. In addition to their responsibility of overseeing and managing affairs of the Company, directors also have fiduciary duties towards the Company and its shareholders. They are, therefore, liable to a higher level of accountability which requires them to be vigilant and perform their duties with care and prudence. It is directors' responsibility to oversee the functioning of the company, to keep it appropriately staffed and organized to ensure due compliance of law.

7. I have considered the facts before me. It is clear that the aforesaid quarterly accounts of the Company for the quarters ended March 31, 2016 and September 30, 2016 have still not been filed. A number of opportunities have been afforded to the Company however, positive response has not been received. The aforesaid reflects a disregard of the applicable legal framework by respondents which is not befitting to directors of a public listed company in their fiduciary capacity as caretakers of the investment of the minority shareholders. Keeping in view of the above, I, hereby impose a fine of Rs.10,000 each for the quarters ended March 31, 2016 and September 30, 2016 on each respondent for non-filing of said quarterly accounts aggregating to Rs.140,000 for contravening the provision of section 245 of the Ordinance. The respondents are directed to deposit the fine in the following manner:



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 3 -

| S# | Names of Directors | 31-Mar-16 | 30-Sep-16 | Amount in Rs. |
|----|----------------------|---------------|---------------|----------------|
| 1 | Mr. Adnan Iqbal | 10,000 | 10,000 | 20,000 |
| 2 | Syed Iqbal Hussain | 10,000 | 10,000 | 20,000 |
| 3 | Syed Tarique Hussain | 10,000 | 10,000 | 20,000 |
| 4 | Mrs. Farhat Iqbal | 10,000 | 10,000 | 20,000 |
| 5 | Mrs. Seema Adnan | 10,000 | 10,000 | 20,000 |
| 6 | Mrs. Sabeen Tarique | 10,000 | 10,000 | 20,000 |
| 7 | Syed Marib Hussain | 10,000 | 10,000 | 20,000 |
| | TOTAL | 70,000 | 70,000 | 140,000 |

The aforesaid fines must be deposited in the designated bank account maintained with MCB Bank Limited in the name of the "Securities and Exchange Commission of Pakistan" within thirty days from the receipt of this order and receipted bank vouchers must be furnished to the Commission. In case of non-deposit of the fine, proceedings for recovery of the fines as arrears of land revenue will be initiated. It may also be noted that the aforesaid fines are imposed on the respondents in their personal capacity; therefore, they are required to pay the said amount from personal resources.

ABID HUSSAIN
Executive Director
Corporate Supervision Department

Announced:
February 26, 2018
Islamabad