



Corporate Supervision Department
Company Law Division

Before Amina Aziz – Director

In the matter of

Safa Textiles Limited

ORDER

Number and date of notice: CSD/ARN/148/2015-2222-28 dated January 10, 2017
Date of hearing: April 17, 2017
Present: Mr. Muhammad Fahad Sheikh and Mr. Taha Farooq Khan
("authorized representative")

ORDER

**UNDER SECTION 227 READ WITH SECTION 229 & 476 OF THE COMPANIES
ORDINANCE, 1984**

This order shall dispose of the proceedings initiated against directors (the "respondents") of Safa Textiles Limited (the "Company"). These proceedings were initiated through show cause notice ("SCN") dated January 10, 2017 under Section 227 of the Companies Ordinance 1984 (the "Ordinance").

2. The brief facts of the case are that review of annual audited financial statements for the year ended on June 30, 2015 ("Accounts") of the Company revealed some observation about provident fund for which clarification sought from the Company vide letter dated May 27, 2016.

3. The Company vide letter dated June 29, 2016 provided financial statements of the Employees Provident Fund ("Fund Account") for the year ended June 30, 2015 and other related documents which revealed employees and employer contribution of Rs. 75,776 for the financial year 2015, however, record shows that the only payment credited to the provident fund account during the year was Rs 13,344 on 13-01-2015. The Fund Account also revealed receivable of Rs. 134,646 from the Company against contribution.

4. Sub-section (2) of Section 227 of the Ordinance provides that *where a provident fund has been constituted by a company for its employees or any class of its employees, all moneys contributed to such funds, whether by the company or by the employees, or received or accruing by way of interest, profit or otherwise from the date of contribution, receipt or accrual, as the case may be, shall either –*

(a) *be deposited –*

- (i) *in a National Savings Scheme;*
- (ii) *in a special account to be opened by the company for the purpose in a scheduled bank; or*

SECURITIES AND EXCHANGE
COMMISSION OF PAKISTAN
NIC Building, 63 Jinnah Avenue,
Islamabad, Pakistan

PABX: +92-51-9207091-4, Fax: +92-51-9100454, 9100471, Email: webmaster@secp.gov.pk, Website: www.secp.gov.pk



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- (iii) *where the company itself is a scheduled bank, in a special account to be opened by the company for the purpose either in itself or in any other scheduled bank; or*
- (b) *be invested in Government securities; or*
- (c) *in bonds, redeemable capital, debt securities or instruments issued by Pakistan Water and Power Development Commission and in listed securities subject to the conditions as may be prescribed by the Commission]."*

Sub-section 3 of Section 227 of the Ordinance provides that *where a trust has been created by a company with respect to any provident fund referred to in sub-section (2), the company shall be bound to collect the contributions of the employees concerned and pay such contributions as well as its own contributions, if any, to the trustees within fifteen days from the date of collection, and thereupon, the obligations laid on the company by that sub-section shall devolve on the trustees and shall be discharged by them instead of the company.*

5. The respondents, prima facie, failed to make timely payments to the trustees in contravention with the provisions of Section 227 of the Ordinance. Consequently, the SCN was issued to the respondents requiring them to show cause in writing as to why penal action may not be taken against them. The respondents failed to reply the SCN.

6. Hearing in the matter was held on April 17, 2017 and the authorized representatives, Mr. Muhammad Fahad Sheikh and Mr. Taha Farooq Khan appeared on behalf of respondents and submitted that the Company failed to make timely payments due to adverse financial condition of the Company.

7. Section 229 of the Ordinance provides that whoever contravenes or authorizes or permits the contravention of any of the provisions of section 227 shall be punished with a fine which may extend to five thousand rupees and shall also liable to pay the loss suffered by the employee on account of such contravention.

In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under SRO 634(I)/2014 dated July 10, 2014 read with section 229 of the Ordinance have been delegated to the Director (Corporate Supervision Department).

8. Having gone through the facts of the case, provisions of the law and submissions of the authorized representative, it has been observed that the respondents contravened the provisions of Section 227 of the Ordinance as it failed to make timely payments to the trustees. Therefore, in exercise of the powers conferred by Section 229 of the Ordinance, I hereby impose a fine of



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Rs.35,000/- (Rupees thirty five thousand only) in aggregate on respondents. The respondents are directed to deposit the fine in the following manner:

S.#	Names of Respondents	Amounts in Rs.
1	Mr. Adnan Iqbal	5,000
2	Mr. Syed Iqbal Hussain	5,000
3	Mr. Syed Tarique Hussain	5,000
4	Mrs. Farhat Iqbal	5,000
5	Mrs. Seema Adnan	5,000
6	Mrs. Sabeen Tarique	5,000
7	Mr. Syed Marib Hussain	5,000

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 furnish receipted bank vouchers to the Commission. In case of non-deposit of the penalties, proceedings for recovery of the fines as arrears of land revenue will be initiated. It may also be noted that the said fines are imposed on respondents in their personal capacity; therefore, they are required to pay the said amount from personal resources.

Further, in terms of Section 473 of the Ordinance, the respondents are hereby directed to pay all outstanding contributions and money of provident fund utilized by the Company to the trustees of the provident fund within 60 days of this order and provide compliance certificate to this Commission failing which necessary proceedings shall be initiated under the provisions of section 495 of the Ordinance.

Arifina Aziz
Director

Announced:
May 24, 2017
Islamabad

