



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before

Shahzad Afzal Khan, Director/ Head of Department

In the matter of

The National Silk & Rayon Mills Limited

Number and date of show cause notice: No. CSD/ARN/232/2015-76 dated May 26, 2023

Date of hearings: August 17, 2023; September 07, 2023

Present: Mr. Nazir Ahmad Shaheen, CEO – Nazir Shaheen & Associates (Authorized Representative); Mr. Qaisar Ali, Manager Internal Audit

Under Section 218 of Companies Act, 2017 read with Sections 219 and 479 thereof

This order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (**the Commission**) through Show Cause Notice (SCN) dated May 26, 2023 issued under Section 218 of the Companies Act, 2017 (**the Act**) read with Sections 219 and 476 thereof against The National Silk & Rayon Mills Limited (**the Company**).

2. Brief facts of the case are that pursuant to review of the annual audited financial statements of the Company for the year ended June 30, 2022, the Commission, vide letter dated March 17, 2023, advised the Company to provide the management letter issued by its statutory auditor i.e. Riaz Ahmad & Company, Chartered Accountants (**the Auditor**) for the year ended June 30, 2022. The analysis of the management letter dated October 10, 2022 provided by the Company revealed that the Auditor at serial No. 3 pointed out that the Company has not timely transferred contributions to separately maintained bank account for Provident Fund (PF), contrary to the requirements of section 218(1) of the Act that requires companies to deposit the contributions within fifteen (15) days in the provident fund account. The instances and month-wise delays in transferring PF contributions in the bank account as stated by the Auditor are tabulated below:

Month	Payment (Rs.)	Date of Contribution	Due Date	Date of Payment	Delay in Days
Jul-21	717,548	10-08-2021	04-09-2021	08-12-2021	95
Aug-21	709,962	24-09-2021	09-10-2021	08-12-2021	60
Sep-21	678,772	22-10-2021	06-11-2021	07-12-2021	31
Oct-21	684,338	18-11-2021	03-12-2021	08-12-2021	5
April-22	650,480	06-05-2022	21-05-2022	25-05-2022	4



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3. In order to take cognizance of the aforesaid contravention, SCN was issued to the Company seeking justification for its failure to deposit employees' contributions to Provident Fund within the stipulated time period. The Company vide letter dated July 10, 2023 submitted written response and relevant extract thereof is provided hereunder:

"Our separate provident fund account was maintained with a bank (i.e. Bank Alfalah) that was blocked by the bank during the same period (July to Oct 2021 Contribution) due to discrepancies raised by the bank for various documents pending that lead to non-submission of Provident fund contribution to the same account. Moreover during the meantime a new Provident fund bank account was opened with MCB Bank & funds were transferred thereon to overcome the blocking of the account with other bank & smooth operations of PF Accounts.

We understand the significance of the said section & will definitely comply with all the provisions of the said section in future."

4. In order to provide opportunity of personal representation, hearing in the matter was fixed for August 17, 2023 that was adjourned. Subsequently, hearing was scheduled for September 07, 2023 wherein Mr. Nazeer Ahmad Shaheen of Nazeer Shaheen & Associates appeared on behalf of the Company as its Authorized Representative (AR) and reiterated aforesaid written response and further stated that:

- i) Funds were transferred within time by the Company to PF account maintained with Bank Alfalah Limited however the same were not credited due to queries raised/ documents sought (9 in number) by the bank;
- ii) Company tried to resolve the issues by responding to the queries of bank;
- iii) Company opened a new PF account with MCB Bank Limited and since than PF transactions are running smoothly; and
- iv) Delay was caused due to bank issues and not related to lack of funds with the Company, therefore, requested lenient view.

5. Relevant provisions of the Act are reproduced as under:

Section 218(1) of the Act:

"218. Employees' provident funds, contributory retirement funds and securities.— (1) All moneys or securities deposited with a company by its employees in pursuance of their contracts of service with the company shall be kept or deposited by the company within fifteen days from the date of deposit in a special account to be opened by the company for the purpose in a scheduled bank or in the National Saving Schemes, and no portion thereof shall be utilized by the company except for the breach of the contract of service on the part of the employee as provided in the contract and after notice to the employee concerned.



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219. Penalty for contravention of section 217 or 218. — Any contravention or default in complying with requirements of sections 217 or 218 shall be an offence liable to a penalty of level 1 on the standard scale and shall also be liable to pay the loss suffered by the depositor of security or the employee, on account of such contravention."

6. I have reviewed the fact of the case, considered the written and verbal submission made by the AR in light of the applicable legal provisions and records placed before me and observed that the Company failed to take adequate measures to timely resolve the aforesaid issues with Bank Alfalah or opening of new bank account for timely deposit of PF contributions therein.

7. After careful consideration of all the facts of the case, I am of the considered view that the Company has contravened subsection (1) of Section 218 of the Act and is liable for penalty under Section 219 of the Act read with Section 479 thereof. However, I have duly considered that the Company had subsequently deposited the outstanding provident fund amount and rectified the aforesaid non-compliance; coupled with assurance for future compliance. In view of the foregoing I hereby conclude the proceedings initiated through the SCN by imposing a penalty of Rs. 15,000 (Rupees Fifteen Thousand only) on the Company.

8. The aforesaid penalty must be deposited in the designated bank account maintained with MCB Bank Limited or United 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 in terms of Section 485 of the Act will be initiated.

9. Nothing in this Order may be deemed to prejudice operation of any provision of the Act providing for imposition of penalties in respect of any default, omission, violation of the Act.

(Shahzad Afzal Khan)
Director/ HOD
Adjudication Department-I

Announced:

Dated: September 14, 2023
Islamabad

