



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division
Market Supervision and Registration Department (MSRD)

Before the Director/HOD (MSRD)

In the matter of Show Cause Notice issued under Section 224(4) of the Companies Ordinance, 1984
to Mrs. Maliha Faisal, Director of Artistic Denim Mills Limited

Date of Hearing:

January 30, 2014

Present at Hearing:

Representing the Respondent:

*Mr. Muhammad Waseem
Partner,
Rehman Sarfraz Rahim Iqbal Rafiq
Chartered Accountants*

Assisting the Director/HOD (MSRD):

*Mr. Muhammad Farooq,
Joint Director, SECP
(Through Video Link)*

Order

This Order will dispose of the proceedings initiated under Section 224(4) of the Companies Ordinance, 1984 ("**Ordinance**") by the Securities and Exchange Commission of Pakistan ("**Commission**") through Show Cause Notice No. SMD/BOW/222/4(396)13 dated 07/01/2014 ("**Notice**") issued to Mrs. Maliha Faisal ("**Respondent**"), Director of Artistic Denim Mills Limited ("**Issuer Company**").

2. The facts of the matter leading up to aforesaid Notice are that the Issuer Company is a public listed company and the Respondent being its Director was required to file returns of beneficial ownership on Form 31 and Form 32, within the period stipulated under Section 222 of the Ordinance. However, she failed to discharge the said obligations which attract penal provision contained in Section 224(4) of the Ordinance.

SECURITIES & EXCHANGE
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3. Section 222(2)(b) and Section 222(2)(c) of the Ordinance stipulate the period within which the Form 31 and Form 32 are to be submitted as under:-

222(2)(b) "in any other case, including a case where the company is listed on the stock exchange after the commencement of this Ordinance or after the person has occupied the position or office specified in sub-section (1) or has acquired interest as beneficial owner of securities as aforesaid, within thirty days of occupying the office in the company or acquisition of interest as beneficial owner requiring submission of the return aforesaid or listing of the company on the stock exchange, as the case may be";

222(2) (c) "where there is any change in the position or interest as aforesaid including a change in the beneficial ownership of any equity, security, within fifteen days of such change".

4. The Respondent, in response to this office letter dated 09/07/2013, filed Form 31 and four Forms 32 with this Commission on 23/07/2013. The said Form 31 shows that the Respondent acquired beneficial ownership in the Company on 29/04/2006 and 100 shares of the Company were beneficially owned by her. Thus, she was required to file the said return with this Commission latest by 28/05/2006, but the same has been filed on 23/07/2013 with delay of 2,612 days, in contravention of Section 222(2)(b) of the Ordinance.

5. While, the aforementioned Forms 32 show that the following changes in her beneficial ownership were taken place, which have been reported to the Commission, with a delay as mentioned against each:-

Sr. No.	Date of Change	Nature of Change	No. of Shares	Delay in Days
1	26/01/2007	Bonus	400	2,355
2	30/06/2007	Receipt of gift	12,000,000	2,200
3	04/12/2007	Bonus	2,400,100	2,043
4	30/06/2009	Purchase	898,600	1,496

The aforesaid changes in beneficial ownership have been reported to the Commission on 23/07/2013 with delay ranges from 1,496 days to 2,355 days, in contraventions of Section 222(2)(c) of the Ordinance. The aforementioned contraventions *prima facie* attract penal provisions contain in Section 224(4) of the Ordinance, which provides as under:-

"Whoever knowingly and wilfully contravenes or otherwise fails to comply with any provision of section 222, section 223 or section 224 shall be liable to a fine which may extend to thirty thousand rupees and in the case of a continuing contravention, non-





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compliance or default to a further fine which may extend to one thousand rupees for every day after the first during which such contravention, non-compliance or default continues”.

6. The Commission took cognizance of the aforesaid default and issued Notice to the Respondent under Section 224(4) of the Ordinance, calling upon her to explain through written reply alongwith documentary evidence, if any as to why action may not be taken against her pursuant to Section 224(4) of the Ordinance, for aforesaid contraventions of Section 222 of the Ordinance. The Respondent vide letter dated 17/01/2014 filed written reply to the Notice.

7. Furthermore, in order to provide an opportunity of being heard in person, hearing in the matter was fixed on 23/01/2014 at the Commission’s Head Office, Islamabad, which on the request of the Respondent was rescheduled on 30/01/2014 at Commission’s Regional Office, Karachi. On the said date, Mr. Muhammad Waseem, Partner, Rehman Sarfaraz, Rahim Iqbal Rafiq, Chartered Accountants (“**Authorized Representative**”) appeared on behalf of the Respondent. The submissions made in writing by the Respondent as well as verbally by the Authorized Representative during the course of hearing be summarized as under:-

- a) *Returns of beneficial ownership for aforementioned changes in beneficial ownership were submitted to Company Registration Office, Karachi.*
- b) *The purpose of law to make disclosure was fulfilled when the requisite returns were filed with the Company Registration, Karachi.*
- c) *Due to oversight, the returns of beneficial ownership could not be reported to the Commission.*
- d) *The default is unintentional and the same may kindly be condoned.*
- e) *The Authorized Representative ensured that the Respondent will comply with the requirement of Section 222 of the Ordinance within the prescribed time period in future.*

8. I have considered the submissions made by the Respondent in writing and verbally by the Authorized Representative, during the course of hearing. The Respondent has admitted the default with the contention that it was not intentional. The Authorized Representative requested to condone the default with the plea that the Respondent has already filed the returns of beneficial ownership with the Registrar and upon receipt letter from the Commission, the same have also been filed with it.

9. In this concern, it is pointed out that the default committed by the Respondent pertains to the period from April 2006 to June 2009. It is worth mentioning that in order to provide an






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opportunity to directors/beneficial owners of listed companies to file their overdue returns of beneficial ownership without facing penal action, the Commission through Notices dated 07/09/2009 and 21/09/2010 asked them to file their returns of beneficial ownership with Head Office of the Commission by 31/10/2009 and 31/10/2010 respectively and to ensure timely compliance of Section 222 of the Ordinance in future. The aforesaid Notices were sent to all listed companies and were also disseminated through stock exchanges and print media, wherein it was clearly mentioned that return of beneficial ownership is required to be submitted to the Registrar and the Commission. But, the Respondent did not avail this opportunity. In my opinion, the Respondent has contravened the provisions of Section 222 of the Ordinance. Hence, in the light of aforesaid discussion, I am of the view that the Respondent has committed the violation. However, considering the filing of the said returns by the Respondent with the registrar and taking a lenient view of the default, in exercise of powers conferred under Section 224 (4) of the Ordinance, I hereby impose a fine of Rs. 15,000/- (fifteen thousand rupees only) on the Respondent.

10. This Order is issued without prejudice to any other action that the Commission/Registrar may initiate against the Respondent in accordance with the law on matter subsequently investigated or brought to the Notice of the Commission.




(Imran Inayat Butt)
Director/HOD (MSRD)

Islamabad.

Announced on March 10, 2014.