



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

Before the Director/HOD (MSRD)

In the matter of Show Cause Notice issued under Section 224(4) of the Companies Ordinance, 1984 to Khawaja Muhammad Ilyas, Director of Mahmood Textile Mills Limited

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/BO/Co.222/4(1802)02 dated 30/04/2014 (“**Notice**”) issued to Khawaja Muhammad Ilyas (“**Respondent**”), Director of Mahmood Textile 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 report changes in beneficial ownership on Form 32 within the period stipulated under Section 222 of the Ordinance. However, he failed to discharge the said obligation which attracts penal provision contained in Section 224(4) of the Ordinance.

3. Section 222(2)(c) of the Ordinance stipulates the period within which the Form 32 is to be submitted as under:-

“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 07/02/2014, filed two returns of beneficial ownership on Form 32 with this Commission on 14/02/2014, showing therein receipt of 180,133 shares as bonus and 146,422 shares in inheritance, with delay ranging from 246 days to 1,675 days, in contraventions of Section 222(2)(c) of the Ordinance. The said contraventions *prima facie* attract penal provision of 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-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”.

5. The Commission took cognizance of the aforesaid default and issued Notice to the Respondent under Section 224(4) of the Ordinance, calling upon him to explain through written reply along with documentary evidence, if any as to why action may not be taken against him pursuant to Section 224(4) of the Ordinance, for aforesaid contravention of Section 222 of the Ordinance. Moreover, in order to provide an opportunity of being heard in person, hearing in the matter was fixed for 19/05/2014 at Commission’s Head Office, Islamabad. But neither the Respondent nor any authorized representative attended the said hearing.

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6. The Respondent vide letter dated 08/05/2014 responded the matter. The submissions made by the Respondent be summarized as under:-


- a) *The returns of beneficial ownership on Form 32 for aforesaid changes in beneficial ownership have already been filed with the Company Registration Office Multan. The Respondent in support of the claim submitted duly certified copies of the said returns.*
- b) *Due to misconception, the said changes in beneficial ownership could not be reported to the Commission.*
- c) *The default is unintentional and the same may kindly be condoned.*
- d) *The Respondent ensured that he will comply with the requirement of Section 222 of the Ordinance within the prescribed time period in future.*

7. I have considered the aforesaid submissions made by the Respondent. The Respondent has admitted the default of late filing of the returns of beneficial ownership with the contention that said default was not committed wilfully and knowingly. The Respondent has requested to condone the default in question, with the plea that the same was not committed intentionally. In order to arrive at conclusion, I have also reviewed the available record which revealed that the Respondent is on the Board of Directors of the Issuer Company since 1976. The record further showed that earlier the Respondent was almost regular in filing of returns of beneficial ownership. Considering the submissions made by the Respondent, I intend to agree with the contention of the Respondent and of the view that the late filing of the under reference returns of beneficial ownership may not be willful. Therefore, a lenient view of the matter has been taken and the Respondent is hereby strictly warned to ensure timely compliance of Section 222 of the Ordinance in future.

8. 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.

Islamabad.
Announced on June 03, 2014.




(Imran Inayat Butt)
Director/HOD (MSRD)