



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

SECP

Before the Director/HOD (MSCID)

In the matter of Show Cause Notice issued under Section 224(4) of the Companies Ordinance, 1984 to Indus Dying & Manufacturing Company Limited, a beneficial owner of more than ten percent equity security of Sunrays Textile Mills Limited

Date of Hearing: November 13, 2012

Present at Hearing:

Representing the Respondent: Mr. Ahmed Faheem Niazi

Assisting the Director/HOD (MSCID): Mr. Muhammad Farooq,
Joint Director (SMD)

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. S.M(B.O)C.O.222/4(2641)12 dated 31/07/2012 ("**Notice**") issued to Indus Dying & Manufacturing Company Limited ("**Respondent**"), a beneficial owner of more than ten percent equity security i.e. ordinary shares of Sunrays 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 a beneficial owner of more than ten percent of its ordinary shares was required to file return of beneficial ownership on Form 31, within the period stipulated under Section 222 of the Ordinance. However, it failed to discharge the said obligation which attracts penal provisions contained in Section 224(4) of the Ordinance.

3. Section 222(2)(b) of the Ordinance stipulate the period within which the Form 31 is required to be submitted as under:-

"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";



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division
Market Supervision & Capital Issues Department (MSCID)

4. It is worth mentioning that in order to provide an opportunity to directors/beneficial owners of listed companies to file their over due 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.

5. The Respondent despite aforesaid Notices failed to file the return of beneficial ownership on Form 31. The Respondent was, therefore, asked vide letter dated 02/05/2012 to file return of beneficial ownership on Form 31 alongwith reasons for non-filing of the same, within the period stipulated in Section 222 of the Ordinance.

6. In response to the aforesaid letter, the Respondent filed Form 31 with this Commission on 18/05/2012. The said Form 31 shows that the Beneficial Owner acquired aforesaid beneficial ownership of the Company on 26/03/2007. Thus, it was required to file the said return with this Commission latest by 25/04/2007 but the same has been filed on 18/05/2012, with delay of 1,850 days, in contravention of Section 222(2)(b) of the Ordinance. The said contravention of Section 222 of the Ordinance, *prima facie* attracts 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-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"

7. The Commission took cognizance of the aforesaid default and issued Notice to the Respondent under Section 224(4) of the Ordinance, calling upon it to explain through written reply alongwith documentary evidence, if any as to why action may not be taken against it pursuant to Section 224(4) of the Ordinance, for aforesaid contraventions of Section 222(2)(b) of the Ordinance. The Company Secretary of the Respondent vide letter dated 08/08/2012 filed written response to the Notice

8. In order to provide an opportunity of being heard in person, hearing in the matter was fixed for 13/11/2012 at the Commission's Regional Office, Karachi. On the given date, Mr. Ahmed Faheem Niazi, Company Secretary of the Beneficial Owner appeared before me on behalf of the Respondent. The submissions made on behalf of the Respondent by the Company Secretary in writing as well as verbally during the course of hearing be summarized as under:-



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division
Market Supervision & Capital Issues Department (MSCID)

- a) *Due to misunderstanding, the Return under reference could not be filed within the stipulated time.*
- b) *The delay in submission of the return of beneficial ownership was not intentional.*
- c) *The Company Registration Office, Karachi has already passed an order in the matter and penalty imposed.*
- d) *The Company Secretary ensured that the Respondent will comply with the requirement of Section 222 of the Ordinance within the prescribed time period in future.*

9. I have considered the submissions made on behalf of the Respondent as well as the verbal arguments advanced by the Company Secretary during the course of personal hearing. The Respondent has admitted the default of late filing of the return of beneficial ownership with the contention that said default was not committed willfully and knowingly. The Respondent has assured for timely filing of the returns of beneficial ownership in future and requested to condone the default in question. In order to arrive at conclusion, I have also reviewed the available record which reveals that that the Respondent has filed the return promptly on receipt of letter from the Commission. Considering the arguments advanced on behalf of the Respondent, I intend to agree with the contention of the Respondent and of the view that the late filing of the under reference return 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.

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 (MSCID)

Islamabad.
Announced on November 15, 2012