



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department-I

### Adjudication Division

*Before*

**Shahzad Afzal Khan, Director/ Head of Department**

*In the matter of*

**Neem Exponential Financial Services and Its Directors**

Number and date of Show Cause Notice (SCN)	SCD/ADJ-1/NEFS/153/2024-62 Dated January 24, 2024
Date(s) of Hearing(s):	March 04, 2024 and March 15, 2024
Present at the Hearing:	Mr. Faisal Rasheed Ghouri, Legal Counsel (Authorized Representative)

### ORDER

**UNDER SECTION 282J (1) OF THE COMPANIES ORDINANCE, 1984 FOR  
CONTRAVENTION OF RULE 7(1)(DA) READ WITH SCHEDULE I OF THE NON-  
BANKING FINANCE COMPANIES (ESTABLISHMENT AND REGULATION) RULES,  
2003**

This Order shall dispose of the proceedings initiated through the aforesaid Show Cause Notice dated January 24, 2024 (**the SCN**) issued by the Securities and Exchange Commission of Pakistan (**the Commission**) against Neem Exponential Financial Services (**the Company and/or the Respondent No. 1**) and the Directors/CEO of the Company/Respondent No. 1 namely, Mr. Nadeem Rauf Shaikh (**Respondent No. 2**), Mr. Naeem Zamindar (**Respondent No. 3**) and Ms. Teizoon Kisat (**Respondent No. 4**), hereinafter collectively referred to as (**the Respondents**) for contravention with the requirements of rule 7(1)(da) read with Schedule I of the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (**the NBFC Rules**), which attracts the applicability of Section 282J (1) of the Companies Ordinance, 1984 (**the Ordinance**).

2. The Company was incorporated on June 10, 2021 as a Public Limited Company under the Companies Act, 2017 (**the Act**) and licensed by the Commission in December, 2022 to undertake Investment Finance Services as Non-Banking Finance Company (**NBFC**) under the NBFC Rules.

3. Rule 7(1)(da) read with Schedule I of the NBFC Rules provides that, an NBFC shall, furnish to the Commission its annual financial statements in accordance with requirements of Schedule I of the Ordinance now the Act. Clause 7 of Schedule I provides, "*Submission of financial statements, as per requirements of the Ordinance*". The corresponding provisions of the Act set forth the following requirements for the submission of annual audited financial statements, which are as under:

- Section 223(2) of the Act requires that; "*(2) The financial statements must be laid within a period of one hundred and twenty days following the close of financial year of a company*".
- Section 233(1) of the Act requires that; "*(1) Without prejudice to the provisions of sub-section (5) of section 223, after the audited financial statements have been laid before the company at the annual general meeting and duly adopted, a copy of such financial statements together with reports and documents required to be annexed to the same, duly signed in the manner provided by section 226, 232 and 251, shall be filed by the company*".



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*with the registrar within thirty days from the date of such meeting in case of a listed company and within fifteen days in case of any other company."*

- Section 132(1) of the Act requires that; *"(1) Every Company shall hold, an annual general meeting within sixteen months from the date of its incorporation and thereafter once in every calendar year within a period of one hundred and twenty days following the close of its financial year."*

4. In terms of aforesaid requirements, the Company was required to hold its AGM within one hundred and twenty days following the close of financial year and the Company was further required to submit its Annual Audited Accounts for the year ended June 30, 2023 **by November 15, 2023**. However, the Company failed to file its annual audited accounts year ended on June 30, 2023 with the registrar to date.

5. The aforesaid shortcomings, lapses, and contraventions indicate that the Respondents, *prima facie*, contravened with the requirements of rule 7(1)(da) read with Schedule I of the NBFC Rules, which attracts the applicability of Section 282J (1) of the Ordinance, which are reproduced as under:

**Rule 7(1)(da) of the NBFC Rules:**

*"(1) A NBFC shall  
(da) furnish to the Commission its quarterly and annual financial statements in accordance with Schedule I"*

**Section 282J (1) of the Ordinance:**

***"Penalty for failure, refusal to comply with, or contravention of any provision of this Part.-  
(1) Notwithstanding anything contained in any other provision of this Ordinance, if a NBFC or the notified entity or its officers (including auditors) fails or refuses to comply with, or contravenes any provision contained in this Part or of any of the provisions of the rules or regulations made under section 282 B or regulation, circular or directive or any direction or order passed by the Commission under the provisions contained in this Part or knowingly and willfully authorizes or permits such failure, refusal or contravention, shall, in addition to any other liability under this Ordinance, be also punishable with fine the amount of which shall not exceed fifty million rupees:***

*Provided that if the failure, refusal, default, contravention is committed by NBFC or the notified entity, every director, manager, or other officer or person responsible for the conduct of its affairs shall, unless he proves that the failure or contravention or default took place or committed without his knowledge, or that he exercised all diligence to prevent its commission, be deemed to be guilty of the offence."*

6. Accordingly, the Commission while taking cognizance of the aforementioned non-compliance served the SCN upon the Respondents, requiring them to submit their written reply, as to why penalty as provided under **Section 282J of the Ordinance**, may not be imposed on them for the aforementioned contraventions of the law, within 14 days of the date of the SCN.

7. In response to the SCN and hearing notice dated February 22, 2024, the Company vide letter dated March 04, 2024 submitted as under:

*"This letter is being written in respect of the hearing notice dated 22-02-2024, against the Show Cause Notice issued to M/s Neem Exponential Financial Services (Private) Limited (hereinafter referred to as the "Company") for non-compliance with Rule 7(1) (da) of the Non-Banking*





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*Finance Companies (Establishment and Regulation) Rules, 2003 (hereinafter referred to as the "Rules").*

*Your good self has alleged (as per Para No. 02 of the SCN) to contravene the provisions of section 223(2) of the Companies Act, 2017. We wish to draw your kind attention towards provisions of section 223 of the Companies Act, 2017 which only deal with lay down of the financial statements before the members in an Annual General Meeting whereas section 233 ibid deals with filing of the same with the registrar within fifteen days of such meeting. We wish to clarify that the Company has already filed an application under section 147 of the Companies Act, 2017 before the Securities & Exchange Commission of Pakistan for calling of Annual General Meeting of the Company which has already been approved by the Commission and the Company was also allowed to hold overdue Annual General Meeting within thirty (30) days thereof. In compliance with directions issued by the Commission, the Company has already conducted its Annual General Meeting of February 24, 2023 however statutory returns (Form A & 29) along with Audited Financial Statements (as prescribed under section 233 of the Companies Act, 2017) could not be submitted before S.E.C.P due to glitches in newly introduced eZfile System.*

*Without prejudice to the above legal position, we would like to emphasize that the delay in the conduct of the Annual General Meeting was not due to any intentional omission, but rather a without prejudice to the above legal position, we would like to emphasize that the delay in the conduct of the Annual General Meeting was not due to any intentional omission, but rather a result of a series of extenuating circumstances that led to the unfortunate delay. These included a change in internal processes which meant that the Audited Financials could not be completed in time.*

*We acknowledge the importance of complying with regulatory requirements and assure you that steps have been taken to prevent any delays in the future. We understand the significance of adhering to reporting timelines and we have implemented measures to streamline the Company's internal processes to ensure to avoid any non-compliance of the Rules or other applicable laws in the future.*

*We further wish to highlight that from the date of its incorporation, the Company has consistently adhered to all applicable laws and regulations and has maintained a cooperative relationship with SECP throughout its operational history. In view of the foregoing and based on my assurance of future compliance, we humbly request leniency from SECP in this matter."*

8. In order to provide opportunity of personal representation, hearing in the matter was fixed for March 04, 2024, however no one appeared in the scheduled hearing. Another hearing in the matter was fixed for March 14, 2024 wherein Mr. Faisal Rasheed Ghouri, Legal Counsel, attended the hearing as the Authorized Representative (**the Representatives**) of the Respondents. During the hearing, the Representative was asked to explain the reasons for the alleged non-compliance as outlined in the SCN. The Representative reiterated the written reply submitted earlier in response to the SCN and Hearing notice and requested that a lenient view may be taken in this regard. Moreover, the Representative has given assurance that the Respondents would be vigilant in complying with the requirements of provisions of the law in the future.

9. Subsequent to the hearing, the Respondents vide email dated April 18, 2024, submitted the following additional documentary evidences:

- (i) Form A (Certified to be true copy);



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- (ii) Form 9 (Certified to be true copy);
- (iii) Objection letter dated March 07, 2024 in respect of filed financial statements;
- (iv) Application dated February 22, 2024 under Section 147 of the Act submitted by the Company; and
- (v) BOD Minutes for authorization (duly signed by all directors, including independent director).

10. The following are the questions that need to be addressed:

- (i) **The responsibilities/obligations of the Company/Respondents in respect of holding the AGM and submission of annual audited accounts under the law**

In pursuant to the provisions of the law, the Respondents were required to hold its AGM within one hundred and twenty days following the close of financial year in order to laid the financial statements in the same. Furthermore, after the audited financial statements have been laid and duly adopted at AGM, the Respondents were required to file a copy of such financial statements together with reports and documents required to be annexed with the registrar within fifteen from the date of such meeting.

In terms of aforesaid requirements, the Respondents were required to hold its AGM within one hundred and twenty days and further required to submit its Annual Audited Accounts for the year ended June 30, 2023 **by November 15, 2023**. However, the Respondents failed to file its annual audited accounts year ended on June 30, 2023 within the stipulated timeframe.

- (ii) **Justifications provided by the Company/Respondents in respect of delayed AGM and filing of its annual audited accounts**

The Respondents submitted that the delay in holding the AGM stemmed from a series of extenuating circumstances rather than intentional omission. A crucial factor contributing to the delay was a shift in internal processes, which affected the timely completion of the Audited Financial Statements. Despite efforts to adhere to legal requirements, unforeseen challenges, including glitches in the newly introduced eZfile System, further impeded the submission of statutory returns and financial statements to the Commission.

- (iii) **Whether the Company/Respondents adhered to the deadlines prescribed by the law for holding the AGM and filing of annual audited accounts?**

Following were the deadlines that the Company/Respondents were required to fulfil;

AGM Due Date as per the Act	Audited Accounts filing Due Date	Direction by Commission to hold AGM	AGM held on	Audited Accounts filed on
Within 120 days following the close of financial year	Within 15 days of AGM (November 15, 2023)	February 22, 2024 (Within 30 days of this direction)	February 24, 2024	March 06, 2024 (Incomplete Filing)

The table above outlines the timeline within which the Respondents were required to conduct the AGM and file their annual audited accounts with the Registrar. According to





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the requirements of the law, the Company was obliged to hold the AGM within 120 days following the close of financial year i.e. on or before October 28, 2023 and submit the audited accounts to the registrar within 15 days thereafter, by November 15, 2023. However, the Respondents failed to hold AGM and submit its annual audited accounts within stipulated deadline.

In this regard, the Company filed an application dated January 13, 2024, with the Commission under Section 147 of the Act, seeking directions to hold AGM and laying of financial statements due to non-availability of directors and no finalization of management accounts. In response, the Commission issued a directive dated February 22, 2024, directing the Company to hold the AGM within 30 days from the date of the letter and submit a compliance report, along with attested copies of the minutes and audited accounts, within a week of the said meeting. The Company held the AGM on February 24, 2024, approving the audited annual accounts. However, upon filing the audited annual accounts on March 06, 2024, Company Registration Office Karachi (CRO) vide letter March 07, 2024, raised objections in the same regarding non-attachment of the Director's report, incomplete set of accounts, and discrepancy in the reported AGM date compared to the audit report date. It can be inferred that the incomplete filing constitutes non-compliance with the requirement of the law. Therefore, the Respondent's failure to conduct the AGM in a timely manner and to file the audited annual accounts thereafter is a contravention of the provisions of the law.

It is crucial to note that law clearly specifies the timelines and procedure for these actions. Moreover, the Company should have initiated the process earlier to ensure that the audited accounts were prepared in time for the approval and filing. It is important to note that the Company had the option of physical filing of the audited annual accounts as an alternative if the Company encountered issues with eZfile while filing the same, as the inability to submit statutory returns and financial statements due to eZfile glitches could have been mitigated through the utilization of physical filing methods. Therefore, the Respondents' failure to hold the AGM and file the annual audited accounts in a timely and prescribed manner, is a contravention of rule 7(1)(da) read with Schedule I of the NBFC Rules, as they did not take the necessary steps to comply within the stipulated timeframes and with the legal procedures as provided under the provisions of the law.

11. In view of forgoing and available record with this office in light of the applicable provisions of the law, the contravention of rule 7(1)(da) read with Schedule I of the NBFC Rules is established, which attracts Section 282J (1) of the Ordinance. Therefore, I, hereby, impose an aggregate penalty of **Rs.100,000/- (Pak One Hundred Thousand Only)** on the Respondents on account of the aforesaid established default in the following manner:

S. No.	Name of Respondent(s)/Director(s)/CEO	Amount of Penalty Imposed (Rs.)
1.	Neem Exponential Financial Services	25,000
2.	Mr. Nadeem Rauf Shaikh	25,000
3.	Mr. Naeem Zamindar	25,000
4.	Ms. Teizoon Kisat	25,000
Total		100,000

12. The Company is hereby directed to deposit the aforesaid fine in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited



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or United Bank Limited within thirty (30) days from the date of this Order and furnish receipted voucher issued in the name of the Commission for information and record.

13. This Order is issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with the law(s) on matter subsequently investigated or otherwise brought to the knowledge of the Commission.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

(Shahzad Afzal Khan)  
Director/ Head of Department  
(Adjudication Department-I)

**Announced:**  
April 22, 2024  
Islamabad