



Corporate Supervision Department
Company Law Division

Before Abid Hussain – Executive Director

In the matter of

Mr. Shunaid Qureshi, Chief Executive, Al-Abbas Sugar Mills Limited

Number and date of notice: No. CSD/ARN/507/2017-846-848 dated November 30, 2017

Date of hearing: January 17, 2018

Present: Mr. Liaquat Ali and Mr. Hammad Raza
(the "Authorized Representatives")

ORDER

Under Section 193 read with Section 191 and Section 479 of the Companies Act, 2017

This order shall dispose of the proceedings initiated against Mr. Shunaid Qureshi, Chief Executive of Al-Abbas Sugar Mills Limited ("ASML") through show cause notice ("SCN") dated November 30, 2017 under the provisions of Section 193 read with Section 191 and 479 of the Companies Act, 2017 (*the "Act"*) and direction under Section 475 of the Act.

2. Brief facts of the case are that Mr. Shunaid Qureshi was Chief Executive of ASML and reappointed as such by the board of directors of the Company in their meeting held on February 11, 2016. Mr. Qureshi also own 80% of the paid-up capital and is a director of Al-Madad Holdings (Private) Limited ("AMHPL"). RSMPL is a wholly owned subsidiary of AMHPL. The principal business of RSMPL is also manufacturing and sale of sugar.

3. Sub-section (1) of section 191 of the Act provides:

"A chief executive of a public company shall not directly or indirectly engage in any business which is of the same nature as and directly competes with the business carried on by the company of which he is the chief executive or by a subsidiary of such company."

4. It was observed that Mr. Qureshi was engaged in the business of same nature i.e. sugar mill by purchasing shares of RSMPL through AMHPL on June 12, 2017 and thereby Mr. Qureshi *prima facie* contravened the provisions of section 191 of the Act as reproduced above.



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5. In view of the above, SCN was issued to Mr. Qureshi to show cause in writing as to why penal action may not be taken against him and Mr. Qureshi was also directed under Section 475 of the Act that during the pendency of the trial he will be barred from acting as Chief Executive of ASML. Mr. Qureshi submitted his written response to the SCN in which he denied the contents of the SCN on the following grounds:

- a) There is no contravention of section 191 of the Act in being a majority shareholder and director of AMHPL which was formed in the year 2017 only to invest in equity and debt instruments of other companies.
- b) The investment in RSMPL is first such investment of AMHPL and more investments will be made in future.
- c) Mr. Qureshi further submitted that he or his spouse or minor child is not the CEO of RSMPL and thus he does not directly or indirectly has any authority or is engaged in the business of RSMPL.
- d) RSMPL has not manufactured any sugar since acquisition by AMHPL and that the distance between RSMPL and ASML prevents any possibility of competition in cane procurement.
- e) Mr. Qureshi also submitted that he has tendered his resignation from the post of CEO of ASML with immediate effect.

6. A hearing opportunity was provided to the respondent on January 17, 2018 wherein Mr. Liaquat Ali and Mr. Hammad Raza, the Authorized Representatives on behalf of the respondent appeared and reiterated the aforementioned written submissions and submitted a copy of Form 29 reflecting resignation of Mr. Qureshi from the position of CEO of ASML.

7. Before proceeding further, it is necessary to advert to the following relevant provisions of Act:

Section 191(1) provides that a chief executive of a public company shall not directly or indirectly engage in any business which is of the same nature as and directly competes with the business carried on by the company of which he is the chief executive or by a subsidiary of such company.

Section section 193 of the Act *inter alia*, provides that any contravention or default in complying with requirements of sections 186 to 192 shall be an offence liable to a penalty of level 2 on the standard



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scale and may also be debarred by the authority which imposes the penalty from becoming a director or chief executive of a company for a period not exceeding five years.

8. In terms of the Commission's notification SRO 751 (I)/2017 dated August 2, 2017, the powers to adjudicate cases under section 193 have been delegated to the Executive Director (Corporate Supervision Department).

9. As regards the matter at hand, I have analyzed the facts of the case, relevant provisions of the Act, representations made by the respondents in their written response to the contents of the SCN. The respondent contravened the provisions of Sections 191 of the Ordinance, however removed the default by resignation from the post of CEO of ASML. As the default has been removed and assurance for future compliance of law has been made, I, in exercise of the powers conferred by the Commission, instead of imposing fines, conclude the proceedings with a warning to the respondent to remain careful in future and ensure meticulous compliance of law in future.

Abid Hussain
Executive Director (Corporate Supervision Department)

Announced:
February 9, 2018
Islamabad