

Before

Amir M. Khan Afridi, Director/Head of Department

In the matter of
Al Shaheer Corporation Limited

Date of Hearing

April 13, 2022

Order-Redacted Version

Order dated April 25, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Al Shaheer Corporation Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show Cause Notice dated February 14, 2022
2. Name of Company	Al Shaheer Corporation Limited
3. Name of Individual*	The proceedings were initiated against the Company and its directors.
4. Nature of Offence	Common expenses amounting to Rs. 65.231 million were paid by the Company on behalf of its subsidiary company namely *** without approval of the shareholders which, <i>prima facie</i> , was contravention of Section 199 of the Act (corresponding Section 208 of the Ordinance), hence, proceedings were initiated against the Respondents through the SCN.
5. Action Taken	<p>Key findings are given as hereunder:</p> <p>Section 199(1) of the Act (corresponding Section 208 of the Ordinance) clearly stipulates that the company cannot make investment in associated company or associated undertaking except under the authority of special resolution, which shall indicate the nature and the amount of the investment and the terms and conditions thereof. Hence, authority of special resolution of shareholders of a company is mandated by law for making any such investments, loans, advances etc., to associated companies or undertakings. The explanation added to Section 199(1) of the Act (corresponding Section 208 of the Ordinance) provides that the term "investment" shall include equity, loans, advances, guarantees, by whatever name called, except for the amount due as normal trade credit, where the terms and conditions of trade transaction(s) carried out on arms-length and in accordance with the trade policy of the company.</p> <p>As per the available information, the Company during the years 2016 to 2018 paid common expenses amounting to Rs. 65.230 million inclusive of mark-up of Rs. 3.997 million on behalf of its associated company namely ****. The aforesaid amount falls within the definition of investment as provided in Section 199(1) of the Act (corresponding</p>

	<p>Section 208 of the Ordinance) which is required to be extended with the authority of special resolution in terms of Section 199(1) of the Act (corresponding Section 208 of the Ordinance).</p> <p>The Respondents submitted during the hearing proceedings that total investments inclusive of the mark-up has been recovered from the associated company. The record transpires that the Company kept on recovering the said amount of common expenses paid on behalf of **** on yearly basis mentioned in detailing Para 4 above.</p> <p>Keeping in view the above, it has been observed that:</p> <ul style="list-style-type: none"> (i) The Company made investment in its associated company but without approval by way of special resolution contrary to the requirements of Section 199(1) of the Act (corresponding Section 208(1) of the Ordinance). thereby contravened the said provisions which attract applicability of the penal provision i.e. sub-section (6) of Section 199 of the Act (corresponding Section 208(4) of the Ordinance); and (ii) the Company kept on recovering the loan amount from the said associated company on regular basis and also recovered markup of Rs 3.997 million. <p>Keeping in view the above; I in exercise of the powers conferred under the aforesaid provisions, hereby impose aggregate penalty of Rs. 100,000/- (Rupees One Hundred Thousand only) on the ***.</p> <p>Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for imposition of penalties in respect of any default, omission or violation of the Act.</p>
6. Penalty Imposed	Rs. 100,000/-
7. Current Status of Order	No Appeal has been filed by the Company.