

Before
Amir M. Khan Afridi, Director/Head of Department

In the matter of

Dadabhoy Sack Limited

Date of Hearing

May 28, 2022

Order-Redacted Version

Order dated May 31, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Dadabhoy Sack Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show Cause Notice dated April 11, 2022
2. Name of Company	Dadabhoy Sack Limited
3. Name of Individual*	The proceedings were initiated against the directors of the Company.
4. Nature of Offence	It was noted that ***, *** and *** were members of Board Audit Committee (BAC). The Respondents, <i>prima facie</i> , contravened the provisions of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the CCG Regulations) and Section 176 of the Companies Act, 2017 (the Act), which attract the applicability of the penal provision contained in regulation 37 of the CCG Regulations read with Sections 512(2) and 176(4)(a) of the Act. While taking cognizance of the aforesaid non-compliances, the SCN was issued to the Respondents under the CCG Regulations read with Sections 512(2) of Act 176 and 479 of the Act.
5. Action Taken	<p>Key findings are given as hereunder:</p> <p>I have gone through the facts of the case and considered the written submissions in light of the relevant legal provisions and state that:</p> <p>(i) the Auditors in their review report on SOC has highlighted that none of the BAC members is financially literate. The SOC in this regard in para 18 stated that: <i>"We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with except as stated above in paragraph 14. Further, none of the audit committee members is <u>financially literate</u>"</i>, which is admission to the default with the provision of regulation 27(1)(iii) of the CCG Regulations. Through the aforesaid reply to the SCN, the Respondents submitted that ***, one of the member of BAC, has an experience of more than twenty (20) years in senior management and she meets the criteria of being 'financially literate'. In this regard, the Respondents, however, did not furnish any evidence in their support;</p>

	<p>(ii) with regard to observation of the Auditors that meeting of the BAC was not held in the first quarter of financial year 2021, the Respondents are of the view that the Board was purely focusing its efforts on revival, hence, meeting of the BACs was not a priority.</p> <p>I am of the view that the aforesaid stance of the Respondents is not tenable as requirement of regulation 27(2)(i) of the CCG Regulations is mandatory to be complied with. Hence, violation of regulation 27(2)(i) of the CCG Regulations is established for which the Respondents namely **, *** and *** are liable to be penalized; and</p> <p>(iii) it was highlighted by the Auditors in their review report on SOC that meeting of the Board was not held in first quarter of the year ended June 30, 2021. In this regard, the Respondents submitted that due to no financial transaction, the Board had nothing to discuss, hence no Board meeting was held during the said quarter.</p> <p>In this regard, it is stated that in terms of Section 176(3) of the Act, it is mandatory that board of a public company shall meet at least once in each quarter of a year. Hence, the aforesaid stance of the Respondents is not tenable, and violation of Section 176(3) of the Act is attracted.</p> <p>2. Keeping in view the aforesaid non-compliances/contraventions, I, in terms of the powers conferred under regulation 37 of the CCG Regulations read with Section 512(2) of the Act and in terms of Section 176 of the Act, hereby impose a penalty of Rs. 50,000/- (Rupees Fifty Thousand only) on the Respondents.</p> <p>The aforesaid fines must be deposited in the designated bank account maintained with MCB Bank Limited in the name of the Securities and Exchange Commission of Pakistan within thirty days of the date of this order and furnish receipted bank vouchers to the Commission. In case of non-deposit of the said penalty, proceedings under Section 485 of the Act will be initiated for recovery of the same as arrears of land revenue. It may also be noted that the said fines are imposed on Respondent in personal capacity, therefore, is required to pay the said amount from personal resources.</p> <p>Nothing in this Order may be deemed to prejudice the operation of any provision of the Regulations/Act providing for imposition of penalties in respect of any default, omission or violation of the Regulations/Act.</p>
6. Penalty Imposed	Rs. 50,000/-
7. Current Status of Order	No appeal was filed.