



Corporate Supervision Department
Company Law Division

Before Ms. Amina Aziz – Director (CSD)

In the matter of

Dewan Automotive Engineering Limited

Number and date of SCN: No. CSD/ARN/95/2015-628-34, dated August 24, 2016

Date of hearing: September 06, 2016 and October 18, 2016

Present: Mr. Haroon Iqbal, C.E.O & Director,
Mr. M. Hanif German, G. M Group Corporate Affairs

ORDER

UNDER SECTION 245 READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984

This order shall dispose of the proceedings initiated against the following directors including the chief executive officer (together referred to as "respondents") of **Dewan Automotive Engineering Limited** (the "Company"):

- 1 Mr. Aziz-ul-Haque
- 2 Mr. Haroon Iqbal
- 3 Mr. Ishtiaq Ahmed
- 4 Mr. Manzoor Ahmed
- 5 Mr. M. Naeem-ud-din
- 6 Mr. Syed Maqbool Ali
- 7 Mr. Waseem -ul-Haque Ansari

The proceedings against the respondents were initiated through show cause notice (the "SCN") dated August 24, 2016 under the provisions of section 245 read with section 476 of the Companies Ordinance, 1984 (the "Ordinance").



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 1 -

2. The brief facts of the case are that the Company did not file the interim financial statements ("Quarterly Accounts"/Half Yearly) for the following periods with the Commission, in a timely manner as per requirements of section 245 of the Ordinance:

Quarter Ended	Due on
31-Dec-15	29-Feb-16
31-Mar-16	30-Apr-16

Consequently, the SCN was issued to the respondents whereof they were called upon to show cause in writing within fourteen days as to why penal action may not be taken against them under sub-section (3) of section 245 of the Ordinance for not filing the aforesaid Quarterly Accounts with the Commission in a timely manner, as per requirements of the law.

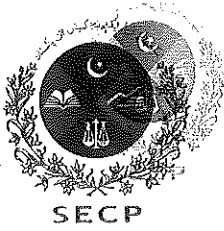
3. The hearing in the matter was fixed on September 06, 2016, letter dated August 31, 2016 was received stating that the accounts are in the process of being finalized and that they will be approved in the delayed AGM, which was being held in October 2016. Lastly, the Company requested for more time.

The second hearing in this regard was fixed on October 18, 2016, which was attended, by Mr. Haroon Iqbal and Mr. M. Hanif German. They stated that they will be seeking directions from the Commission to hold the over-due AGM and that they will act with diligence in future however, no deadline as to the furnishing of the accounts was given.

It is necessary to mention the necessity of directors to act vigilantly in order to protect themselves from penal action and the basic rights of the investors.

In CLD 2006 533 it was held that;

"Protection of the investor/shareholders was one of the key objections of the Companies Ordinance, 1984. As investors/shareholders provided seed for capital formation. Such persons did not have direct control over the Company, apart from that they elect directors for a period of three years and hand over the affairs of the Company to them in the expectation that they would manage the affairs of the Company in a prudent manner.



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 2 -

In order to protect interests of the shareholders Ss 233, 234 and 245 of the Companies Ordinance, 1984 required their timely, adequate, meaningful, true and fair information was transmitted to them in formal annual and interim accounts. Violation of such mandatory provisions of Companies Ordinance, 1984 cannot be ignored."

Also in 2009 CLD 1154,

"Failure of the Company to comply with the said mandatory requirements would necessitate action against the responsible directors of the Company.

If the interests of the investors would be protected they would invest more, in return they must be provided adequate meaningful information.

Responsibility for preparation/circulation of quarterly accounts rested with the directors of the Company and they had to take appropriate action at appropriate time."

Therefore, ignoring or not complaining with the compulsory requirements of law would make the directors of the Company liable for action and in this case, they have been committing continuing default.

4. Before proceeding further, it is necessary to advert to the following relevant provisions of the Ordinance.

In terms of sub-section (1) of section 245 of the Ordinance read with Commission's circular no. 9 dated March 19, 2003, all listed companies are, inter alia, required to file their quarterly accounts with the Commission within stipulated time i.e. one month from the close of first and third quarters and two months from the close of second quarter.

Sub-section (3) of section 245, inter alia, provides as under:

(3) If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief accountant of the company who has knowingly by his act or omission been the cause of such default shall be liable to a fine of not exceeding one hundred thousand rupees and to a further fine of one thousand rupees for every day during which the default continues.

In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 245 have been delegated to the Director (Corporate Supervision Department).

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN, 63-Jinnah Avenue

COMMISSION OF PAKISTAN

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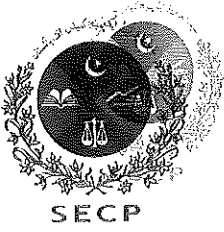
SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 3 -

5. I have analyzed the facts of the case, relevant provisions of the Ordinance, and submissions made by the respondents. Before deciding upon on matter, I would like to highlight that the requirement to circulate interim accounts was introduced so that the shareholders could have timely access to information about the affairs of companies. Keeping in view the fact that timing of interim financial statements is of essence the disclosure and audit requirements of these accounts have been kept to a bare minimum. Interim financial statements prepared properly and in a timely manner not only provide to its users a reliable source of information regarding a company's financial position and performance but these also show the results of management's stewardship of resources entrusted to it. In order to ensure transparency, all the companies must meticulously follow the legal requirement for preparing and circulation of interim accounts. In addition to their responsibility of overseeing and managing affairs of the Company, directors also have fiduciary duties towards the Company and its shareholders. They are, therefore, liable to a higher level of accountability which requires them to be vigilant and perform their duties with care and prudence. It is directors' responsibility to oversee the functioning of the company, to keep it appropriately staffed and organized to ensure due compliance of law.

6. It is clear that the aforesaid Quarterly Accounts of the Company were not filed by the Company. The attitude of the respondents shows that they are not concerned with following the law which is evident from the fact that they have neither submitted a written reply to the SCN, nor have they appeared in the hearings fixed by the Commission. The aforesaid reflect a total disregard of the applicable legal framework by respondent which is not befitting for directors of a public listed company in their fiduciary capacity as caretakers of the investment of the minority shareholders. Keeping in view of the above I, hereby impose a fine of Rs. 10,000 for each quarter on each respondents aggregating to Rs. 140,000 for contravening the provision of section 245 of the Ordinance. The respondents are directed to deposit the fine in the following manner:



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 4 -

S.#	Names of Directors	31-Dec-15	31-Mar-16	Amount in Rs.
1	Mr. Aziz-ul-Haque	10,000	10,000	20,000
2	Mr. Haroon Iqbal	10,000	10,000	20,000
3	Mr. Ishtiaq Ahmed	10,000	10,000	20,000
4	Mr. Manzoor Ahmed	10,000	10,000	20,000
5	Mr. M. Naeem-ul-Haque	10,000	10,000	20,000
6	Mr. Syed Maqbool Ali	10,000	10,000	20,000
7	Mr. Waseem ul Haque Ansari	10,000	10,000	20,000
	TOTAL	70,000	70,000	140,000

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 from the receipt of this order and receipted bank vouchers must be furnished to the Commission. In case of non-deposit of the fine, proceedings for recovery of the fines as arrears of land revenue will be initiated. It may also be noted that the aforesaid fines are imposed on the respondents in their personal capacity; therefore, they are required to pay the said amount from personal resources.

Amira Aziz
Director (CSD)

Announced:
January 13, 2017
Islamabad

