



Before Ms. Amina Aziz, Director

In the matter of

M/s. Dewan Cement Company Limited

Number and date of show cause notice

CSD/ARN/371/2016 dated September 23, 2016

ORDER

Under Rule 3 and Rule 5 of the Companies (Audit of Cost Accounts) Rules, 1998 read with Section 259 and Section 476 of the Companies Ordinance, 1984

This order will dispose of the proceedings initiated against Syed Muhammad Anwar, the Chief Executive Officer and Mr. Muhammad Hanif German, Company Secretary (collectively called "respondents") of Dewan Cement Company Limited ("the Company"). The proceedings against the respondent was initiated through show cause notice under Rule 3 and Rule 5 of the Companies (Audit of Cost Accounts) Rules, 1998 ("the Rules") read with Section 259 and Section 476 of the Companies Ordinance, 1984 ("the Ordinance").

2. The facts of the case, briefly stated, are that sub-rule (2) of rule 3 of the Rules requires that the cost auditor shall be appointed by the directors with the prior approval of the Securities and Exchange Commission of Pakistan (the "Commission") within sixty days of the close of financial year of the company. Further sub-rule (3) of rule 3 of the Rules requires that the company shall apply to the Commission in the form set out in Appendix I for appointment of cost auditor not later than thirty days before the date on which cost auditor is to be appointed. The financial year of the Company closed on June 30, 2016. Accordingly, the Company was required to prefer an application to Commission on or before July 30, 2016 and thereafter appoint cost auditor latest by August 29, 2016. However, the application for appointment of cost auditor dated August 26, 2016, was received by Commission on August 30, 2016 i.e. with a delay of 31 days. The failure of the Company and its directors to comply with the aforesaid mandatory requirements necessitated action in terms of rule 5 of the Rules.

3. Keeping in view the facts enumerated above, a show cause notice dated September 23, 2016 was issued to the Chief Executive and Company Secretary of the Company for prima facie, non compliance of sub-rule (3) of rule 3 of the said Rules. In response to the notice, the respondent through their letter dated September 27, 2016, admitted the default in the appointment of the cost auditor. It was also stated that the delay was

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inadvertent, not willful and that the same was not malafide on part of the management. The Company assured compliance of law in future and requested lenient view in the matter.

4. I have given due consideration to the arguments of the respondents and feel that requirement of law with regard to filing the application for appointment of cost auditor, to the Commission, are very clear and unambiguous. The provisions are laid down in the Rules, which clearly state that a cost auditor shall be appointed with prior approval of the Commission within sixty days of the close of the financial year of the Company and application for such approval shall be made not later than thirty days before the date on which cost auditor is to be appointed. It is important to note that the Company is direct beneficiary to the cost audit as it assists in identifying processes and activities where improvements can be made thereby enhancing productivity and reducing wastage of resources. Further, SECP, in order to strengthen vigilance on cost auditors reporting on the cost accounts, has introduced quality control mechanism for cost auditors.

5. The contravention of Rules for appointment of cost auditor is established however, considering the fact that the Company has accepted its default, I hereby conclude the proceedings with a stern warning to the respondents to be careful in future and ensure compliance of law in its true letter and spirit.

Amina Aziz
Director
Corporate Supervision Department

Announced:

October 19, 2016