



Corporate Supervision Department  
Company Law Division  
Before Amina Aziz – Director

*In the matter of*

**Institute of Rural Management**

Number and date of notice: CSD/ARN/388/2016-1428 dated October 27, 2016  
Date of reply: November 2, 2016  
Hearing fixed for: None

**ORDER**

**Under Sub-Section (3) of Section 193 read with Section 476 Of The Companies Ordinance, 1984**

This order shall dispose of the proceedings initiated against Directors (the “respondents”) of Institute of Rural Management (the “Company”). The proceedings against the respondents were initiated through show cause notice (the “SCN”) dated October 27, 2016, issued under the provisions of sub-section (3) of section 193 read with section 476 of the Companies Ordinance, 1984 (the “Ordinance”).

2. The brief facts of the case are that on examining the annual accounts of the Company for the year ended June 30, 2015, the Commission vide its letter dated February 11, 2016 sought compliance of sub-section (2) of section 193 of the Ordinance along with minutes of Board of Directors (“BOD”) meetings held in 2014-15 from the Company. The provisions of sub-section (2) of section 193 of the Ordinance requires that *the directors of a public company shall meet at least once in each quarter of a year*. The Company vide its letter dated February 23, 2016 submitted copies of minutes of last three BOD’s meetings which revealed that the Company has held two board meetings in 2014-15. Therefore, the Company was again advised through email dated October 6, 2016 to provide evidence of compliance with the aforementioned provisions of the Ordinance. The Company through Azam Chaudhry Law Associates replied vide email dated October 20, 2016 that it is correct the Company held two Board meeting in financial year 2014-2015. The directors of the Company have, prima facie, violated the provisions of law by not meeting at least once in each quarter of a year. Consequently, SCN dated October 27, 2016 under sub-section (3) of section 193 read with section 476 of the Ordinance was served to the respondents calling upon to show cause in writing within fourteen days from the date of the notice as to why penalty may not be imposed on them for contravention of the afore-referred provisions of the Ordinance.

3. In response to the SCN, M/s Azam Chaudhry Law Associates (“Legal Advisor”) of the Company submitted the following reply:

*“We request you to please keep in view the very good track record of the Company regarding compliance with statutory provisions. The omission to hold four Board Meetings in the financial year 2014-15 was inadvertent and unwilful. You are, therefore, requested to please overlook the omission. However, an opportunity of hearing may be provided to us.”*

4. In terms of the Commission’s notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under sub-section (3) of section 193 of the Ordinance have been delegated to the Director (Corporate Supervision Department). The provisions of which are reproduced as under:

**SECURITIES AND EXCHANGE  
COMMISSION OF PAKISTAN**  
NIC Building, 63 Jinnah Avenue,  
Islamabad, Pakistan



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

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Continuation Sheet - 1 -

*"If a meeting of directors is conducted in the absence of a quorum specified in sub-section (1), or a meeting of directors is not held as required by sub section (2), the chairman of the directors and the directors shall be liable—*

- (a) *to a fine not exceeding ten thousand rupees and in the case of a continuing default to a further fine not exceeding one hundred rupees for every day after the first during which the default continues, if the contravention relates to a listed company; or*
- (b) *to a fine not exceeding two thousand rupees and in the case of a continuing default to a further fine not exceeding fifty rupees for every day after the first during which the default continues, if the contravention relates to a non-listed company.*

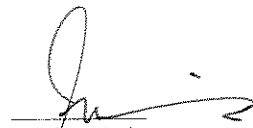
5. It is important to highlight here that the Ordinance has been repealed while promulgating Companies Ordinance, 2016 ("Ordinance 2016"). However, provisions of Section 509(1)(f) of the Ordinance 2016 clearly provides that pending proceedings shall be concluded as provided in the Ordinance:

*"509. Repeal and savings.— (1) The Companies Ordinance, 1984 (XLVII of 1984), hereinafter called as repealed Ordinance, shall stand repealed, except Part VIII A consisting of sections 282A to 282N, from the date of coming into force of this Ordinance and the provisions of the said Part VIII A along with all related or connected provisions of the repealed Ordinance shall be applicable mutatis mutandis to Non-banking Finance Companies in a manner as if the repealed Ordinance has not been repealed:*

*Provided that repeal of the repealed Ordinance shall not-*

- (f) *affect any inspection, investigation, prosecution, legal proceeding or remedy in respect of any obligation, liability, penalty, forfeiture or punishment as aforesaid, and any such inspection, investigation, prosecution, legal proceedings or remedy may be made, continued or enforced and any such penalty, forfeiture or punishment may be imposed, as if this Ordinance has not been passed".*

6. I have gone through the facts of the case, provisions of the Ordinance, and written replies of the respondent and the Legal Advisor of the Company, I am of the view that the respondents have not complied with the provisions of sub-section (2) of section 193 ibid by not meeting once in each quarter of the year 2014-15. However, the respondents while accepting the default has stated that the omission to hold four Board meetings in the financial year 2014-15 was inadvertent. Therefore, taking cognizance of the fact, I hereby conclude the proceedings initiated under sub-section (3) of section 193 of the Ordinance with a warning to the respondents to be careful in future and ensure meticulous compliance with applicable legal provisions.

  
Amna Aziz  
Director (CSD)

**Announced:**  
December 13, 2016  
Islamabad