



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Before the Director/HOD (MSCID)

In the matter of Show Cause Notice issued under Section 224(4) of the Companies Ordinance, 1984 to Mr. Mehmood Ali Mehkri, Director of Metropolitan Steel Corporation Limited

*Date of Hearing:* December 30, 2011

### *Present at Hearing:*

*Representing the Respondent:* Mr. Sharifful Muzaffar,  
General Manager Finance & Company Secretary,  
Metropolitan Steel Corporation Limited

*Assisting the Director/HOD (MSCID):* Mr. Muhammad Farooq,  
Joint Director (SMD)

## Order

This order will dispose of the proceedings initiated under Section 224(4) of the Companies Ordinance, 1984 ("**Ordinance**") by the Securities and Exchange Commission of Pakistan ("**Commission**") through Show Cause Notice No. S.M(B.O)C.O.222/12(348)04 dated 17/10/2011 ("**Notice**") issued to Mr. Mehmood Ali Mehkri ("**Respondent**"), Director of Metropolitan Steel Corporation Limited ("**Issuer Company**").

2. The facts of the matter leading up to aforesaid Notice are that the Issuer Company is a public listed company and the Respondent being its Director was required to file return of beneficial ownership on Form 31 and the return of change in beneficial ownership on Form 32, within the period stipulated under Section 222 of the Ordinance. However, the Respondent failed to discharge the said obligations which attract penal provisions contained in Section 224(4) of the Ordinance.

3. Section 222(2)(c) of the Ordinance stipulate the period within which the said returns on Form 31 and Form 32 are to be submitted as under:-

*"where there is any change in the position or interest as aforesaid including a change in the beneficial ownership of any equity, security, within fifteen days of such change".*

4. It is worth mentioning that in order to provide an opportunity to directors/beneficial owners of listed companies to file their over due returns of beneficial ownership without facing



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
Securities Market Division  
Market Supervision & Capital Issues Department (MSCID)

\*\*\*

penal action, the Commission through Notices dated 07/09/2009 and 21/09/2010 asked them to file their returns of beneficial ownership with Head Office of the Commission by 31/10/2009 and 31/10/2010 respectively and to ensure timely compliance of Section 222 of the Ordinance in future. The aforesaid Notices were sent to all listed companies and were also disseminated through stock exchanges and print media.

5. On account of scrutiny of record of this office, it was observed that the Respondent has failed to report certain changes in his beneficial ownership. The Respondent was, therefore, asked vide letter dated 18/08/2011 followed by reminder dated 15/09/2011 to file Form 32 alongwith reasons for non-filing of the same, within the period stipulated in Section 222 of the Ordinance. But, the Respondent neither responded the matter nor filed the returns of beneficial ownership. The said contraventions attract penal provisions of Section 224(4) of the Ordinance, which provides as under:-

*“Whoever knowingly and wilfully contravenes or otherwise fails to comply with any provision of section 222, section 223 or section 224 shall be liable to a fine which may extend to thirty thousand rupees and in the case of a continuing contravention, non-compliance or default to a further fine which may extend to one thousand rupees for every day after the first during which such contravention, non-compliance or default continues”*

6. The Commission took cognizance of the aforesaid defaults and issued Notice to the Respondent under Section 224(4) of the Ordinance, calling upon him to explain through written reply alongwith documentary evidence, if any as to why action may not be taken against him pursuant to Section 224(4) of the Ordinance, for aforesaid contraventions of Section 222 of the Ordinance. Furthermore, in order to provide an opportunity of being heard in person, hearing in the matter was fixed for 26/10/2011 at Commission’s Office, Karachi. But neither written explanation was received in the matter nor the Respondent attended the said hearing. Moreover, no request for adjournment of the said personal hearing was received. However, taking a lenient view, the hearing was re-fixed for 04/11/2011 at the Head Office of the Commission, Islamabad. Meanwhile, the Company Secretary of the Company vide letter dated 31/10/2011 informed that the under reference returns will be filed soon after Eid holidays. He also requested that personal hearing in the matter may be held at Commission office at Karachi instead of Islamabad. The request was accepted and the matter was re-fixed for 30/12/2011.

7. On the given date, Mr. Sharifful Muzaffar, General Manager Finance & Company Secretary of the Company (“**Authorized Representative**”) appeared before me on behalf of the Respondent. The Authorized Representative stated that “*due to oversight and the absence of the Respondent from the city, the under reference lapse has occurred and requested to condone it*”. The Authorized Representative presented incomplete returns of beneficial ownership in respect of Respondent. Since the returns were lacking basic and necessary information, therefore the said returns could not be accepted. The Authorized Representative was advised to ask the Respondent



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
Securities Market Division  
Market Supervision & Capital Issues Department (MSCID)

\*\*\*

to submit duly filled in/complete returns of beneficial ownership i.e. showing therein details of all changes taken place in his beneficial ownership.

8. Instead of filing of the required returns of beneficial ownership, the Authorized Representative vide letter 05/02/2012 informed that the Respondent could not get the details of changes taken place in his beneficial ownership. He also requested to provide the said information, if available with the Commission. The said request was considered and the desired information was provided vide letter dated 12/05/2012 to the Respondent, with the advice to file the returns of beneficial ownership.

9. The Respondent, in response filed Form 32 with the Commission on 28/02/2012, showing therein the following changes in the beneficial ownership, which have been reported to the Commission, with a delay as mentioned against each:-

Sr. No.	Date	No. of Shares	Nature	Delay in Days
1	November 21, 2006	2,500	Purchase	1,910
2	November 28, 2006	25,599	Purchase	1,903
3	November 28, 2006	500	Sale	1,903
4	December 19, 2006	10,000	Purchase	1,882
5	December 27, 2006	500	Sale	1,874
6	December 28, 2006	1,500	Sale	1,873
7	December 29, 2006	500	Purchase	1,872
8	January 4, 2007	2,500	Purchase	1,866
9	January 5, 2007	1,000	Purchase	1,865
10	January 11, 2007	4,500	Sale	1,859
11	January 12, 2007	1,000	Purchase	1,858
12	January 16, 2007	2,000	Sale	1,854
13	January 25, 2007	8,500	Purchase	1,845
14	January 25, 2007	500	Sale	1,845
15	January 26, 2007	500	Sale	1,844
16	January 31, 2007	500	Sale	1,839
17	February 6, 2007	17,000	Sale	1,833
18	February 6, 2007	1,000	Purchase	1,833
19	February 8, 2007	5,000	Purchase	1,831
20	February 12, 2007	8,000	Sale	1,827
21	February 13, 2007	15,000	Sale	1,826
22	February 14, 2007	37,000	Purchase	1,825
23	February 14, 2007	14,000	Sale	1,825
24	February 15, 2007	500	Sale	1,824
25	February 16, 2007	2,000	Sale	1,823
26	February 16, 2007	5,500	Purchase	1,823



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
Securities Market Division  
Market Supervision & Capital Issues Department (MSCID)

\*\*\*

27	February 19, 2007	6,000	Purchase	1,820
28	February 19, 2007	4,000	Sale	1,820
29	February 20, 2007	500	Sale	1,819
30	February 21, 2007	10,000	Purchase	1,818
31	February 21, 2007	2,500	Sale	1,818
32	February 22, 2007	3,500	Purchase	1,817
33	February 22, 2007	1,000	Sale	1,817
34	February 23, 2007	1,500	Sale	1,816
35	February 23, 2007	3,500	Purchase	1,816
36	February 27, 2007	1,000	Sale	1,812
37	March 29, 2007	500	Sale	1,782
38	May 16, 2007	500	Sale	1,734
39	May 18, 2007	1,500	Purchase	1,732
40	October 3, 2007	5,000	Sale	1,594
41	October 4, 2007	5,000	Sale	1,593
42	October 9, 2007	73,000	Purchase	1,588
43	October 9, 2007	5,000	Sale	1,588
44	December 17, 2008	90,000	Purchase	1,153
45	September 16, 2009	5,000	Sale	880
46	September 29, 2009	2,500	Sale	867
47	December 14, 2009	1	Sale	791
48	December 15, 2009	3	Sale	790
49	December 15, 2009	2	Purchase	790
50	December 16, 2009	1	Sale	789
51	December 17, 2009	1	Sale	788
52	December 21, 2009	1	Sale	784
53	December 22, 2009	2	Sale	783
54	December 24, 2009	1	Sale	781
55	January 6, 2010	2,000	Purchase	768
56	February 19, 2010	17,992	Sale	724

The aforesaid changes in beneficial ownership have been reported to the Commission with delay ranges from 1,910 days to 724 days, in contraventions of Section 222(2)(c) of the Ordinance.

10. I have considered the submissions made on behalf of the Respondent by the Authorized Representative in writing as well verbally during the course of hearing and my findings in this regard are as under:-

- a) Concerning the plea that the default in question was due to oversight, it is worth mentioning that in order to engender awareness and provide an opportunity to the specified officers and more than ten percent shareholders of listed companies, for filing



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
Securities Market Division  
Market Supervision & Capital Issues Department (MSCID)

\*\*\*

of overdue returns, the Commission carried out exercise twice as mentioned in detail in para 4 of the Order, but the Respondent failed to discharge his liability entailed under Section 222 of the Ordinance, until, the same was pointed out by this office through letter dated 11/04/2011, followed by reminders, the Notice and correspondence referred above.

- b) With reference to the request that the aforementioned defaults committed by the Respondent may be condoned, I am of the view that Sections 220 to 224 of the Ordinance speak about a Scheme. Under the said Scheme such beneficial owners/persons are required to report their shareholding as well as changes in shareholding at the same time to the Company, Registrar of Companies and the Commission. The said officers and beneficial owners of more than ten percent equity securities of a listed company are required to fulfill their statutory requirements within the time period provided in the law. The inevitability of the filing of the return of beneficial ownership with the Commission may be adjudged from the fact, that it enables the Commission to monitor the trading activities of the returnee. In the instant case, fifty six changes in beneficial ownership interest of the Respondent were taken place at different dates. Pursuant to the provisions of Section 222 of the Ordinance, each change in beneficial ownership was required to be reported within the 15 days of the change.
- c) It is important to note that in the instant case, the Respondent did not respond to this office letters dated 18/08/2011, and 15/09/2011, wherein he was asked for filing of returns of beneficial ownership. The Respondent also did not submit written reply to the Notice dated 17/10/2011. Moreover, the Respondent or any of his authorized representative failed to attend the personal hearing fixed at Commission Office at Karachi for 04/11/2011. It is abundantly clear from the above narration that the Respondent filed Form 32 because of continuous pursuance of the matter by this office.

11. In view of the foregoing discussion, it is evident that the Respondent has admittedly contravenes the provisions of Section 222 of the Ordinance. However, the Respondent has filed the return of beneficial ownership and his Authorized Representative assured for timely filing of the returns of beneficial ownership in future. Taking a lenient view of the defaults, in exercise of powers conferred under Section 224 (4) of the Ordinance, I hereby impose a fine of Rs. 30,000 (thirty thousand rupees only) for late reporting of aforementioned changes in beneficial ownership while no further fine for continuous default is imposed.


12. The Respondent is directed to deposit the fine of Rs. 30,000 (thirty thousand rupees only) in the account of the Commission being maintained in the designated branches of MCB Bank Limited, within 30 days of the date of this order and furnish Original Deposit Challan to this office, to the effect.



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
Securities Market Division  
Market Supervision & Capital Issues Department (MSCID)  
\*\*\*

13. This Order is issued without prejudice to any other action that the Commission/Registrar may initiate against the Respondent in accordance with the law on matter subsequently investigated or brought to the Notice of the Commission.



  
(Imran Inayat Butt)  
Director/HOD (MSCID)

Islamabad.  
Announced on *May 29, 2012*