



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

Before

Shahzad Afzal Khan – Director/Head of Department

In the Matter of

Huffaz Seamless Pipe Industries Limited

Number and Date of SCN: CSD/ARN/203/2015-03 dated December 29, 2023

Date of Hearing: February 12, 2024

Present: NONE

ORDER

UNDER SECTION 132 OF THE COMPANIES ACT, 2017 READ WITH SECTION 479 THEREOF

This Order shall dispose of the proceedings initiated against Huffaz Seamless Pipe Industries Limited (**the Company**) and its Board of Directors and the Company Secretary (collectively referred to as the **Respondents**) through Show Cause Notice (**the SCN**) dated December 29, 2023 issued under Section 132 of the Companies Act, 2017 (**the Act**) read with Section 479 thereof.

2. Brief facts of the case are that the Company has failed to convene its Annual General Meeting (**the AGM**) for Financial Year (**FY**) ended June 30, 2023 within a period of one hundred and twenty (120) days following the closure of its financial year. The said failure on part of the Respondents is violation of sub-section (1) of Section 132 of the Act.

3. While taking cognizance of the said violation, the SCN was issued to the Respondents requiring them to show cause in writing as to why penal action may not be taken against them for the aforesaid non-compliance.

4. The Company, *inter alia*, submitted the following reply to the SCN vide letter dated January 17, 2024:

- The real problem faced our Company was Covid-19 it's after effect which covered almost four long years for our Company beginning from 2020. The death and leaving the job of majority staff means creation of vacuum in all field.
- To fulfill all compliance the management planned to update the AGM till to date as per law and as follows:

AGM for approval annual accounts of June 30, 2022: 15-Sep-2023

AGM for approval annual accounts of June 30, 2023: 15-Mar-2023

AGM for approval annual accounts of June 30, 2024: 30-Oct-2024

- To fulfill the plan the management requested SECP to issue direction of AGM for approval of annual accounts as on June 30, 2022 on 15-Sep-2023 which was acceded by SECP but unfortunately it could not be convened due to some uncontrollable factors.
- The management is still focused of converging the AGM for the year ended June 30, 2024 as follows:

AGM for approval Annual Accounts of June 30, 2022: 13-Feb-2024



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AGM for approval Annual Accounts of June 30, 2023: 31-May-2024

AGM for approval Annual Account of June 30, 2024: 30-Nov-2024

- We would request you to kindly consider the fact that the Company or its directors have not willfully delayed convening of AGM, and withdraw your SCN without imposing any penalty or fine as the Company is still facing severe financial crises and will not be able to pay the penalties anymore.
- You are further requested to kindly consider this reply as full and final and to take decision on the basis of facts submitted hereinabove.

5. Subsequently, a hearing opportunity was provided for February 12, 2024, however, the Respondents submitted another written reply dated February 3, 2024 reiterating the written stance in response to the SCN as stated above, with the request to conclude the proceedings based on the written submissions.

6. Relevant provisions of the law are reproduced hereinunder:

Sub-section (1) of Section 132 of the Act:

"Every company, shall hold, an annual general meeting within sixteen months from the date of its incorporation and thereafter once in every calendar year within a period of one hundred and twenty days following the close of its financial year. -

Provided that, in the case of a listed company, the Commission, and, in any other case, the registrar, may for any special reason extend the time within which any annual general meeting, shall be held by a period not exceeding thirty days."

Sub-section (5) of Section 132 of the Act:

"Any contravention or default in complying with requirement of this section shall be an offence liable:—

(a) in case of a listed company, to a penalty of level 2 on the standard scale."

7. I have considered the facts of the case in light of the relevant provisions of the Act, and the Respondents' written submissions and state that:

- (i) holding of the AGM is a vital statutory requirement as it provides opportunity to the members to participate in the discussion and vote on agenda items of the general meeting which includes consideration and approval of the company's financial statements;
- (ii) Non-holding of AGM deprives the members of their fundamental and statutory right, to know about the affairs of the company and participate in decision making. AGMs provide transparency and accountability to shareholders and ensure that the company is operating in the best interests of its shareholders, thus all companies must adhere to the law by following the procedure prescribed under the Act for holding of AGMs;



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- (iii) The Respondents cannot absolve themselves from their statutory duties pertaining to holding of AGMs within the statutory timeframe. While the COVID-19 pandemic presented unprecedented challenges, it does not serve as a blanket excuse from the Company's statutory obligations. Although the Commission provided general relaxation to the corporate sector in respect of holding general meetings at the peak of the pandemic, it still expects listed companies to make reasonable efforts to comply with their legal obligations.
- (iv) The Company failed to hold its AGM for FY ended June 30, 2023 within the stipulated time period of one hundred and twenty (120) days following the closure of the said FY;
- (v) The Company has a poor compliance history in terms of holding of AGMs since the general meetings for the previous three years, i.e. FY 2020, FY 2021 and FY 2022 have been held with inordinate delays on June 30, 2021, June 8, 2023 and February 13, 2024 respectively; and
- (vi) Review of Company records transpire that it has failed to hold the AGM for FY 2023 till the date of this Order.

8. In view of the preceding facts, I am of the considered view that by not holding its AGM for the year ended June 30, 2023 within the time period as stipulated under sub-section (1) of Section 132 of the Act, the Company has contravened the said provisions of the Act, which renders it liable to penal action under sub-section (5) of Section 132 thereof. Therefore, in the exercise of powers conferred under sub-section (5) of Section 132 of the Act, I hereby impose a penalty of Rs. 200,000/- (Rupees Two Hundred Thousand only) on Huffaz Seamless Pipe Industries Limited, and warn the remaining Respondents to ensure meticulous compliance of the law in the future in letter and spirit.

9. The aforementioned penalty must be deposited in the designated bank account maintained with United Bank Limited or MCB Bank Limited in the name of the Securities and Exchange Commission of Pakistan within thirty (30) days from the receipt of this Order, and receipted bank vouchers must be furnished to the Commission. In case of non-deposit of the penalty, proceedings under Section 485 of the Act will be initiated for recovery of the same as arrears of land revenue.

10. Nothing in this Order may be deemed to prejudice the operation of any provisions of the Act providing for imposition of penalties on the Respondents in respect of any default, omission or violation thereof.

SHAHZAD AFZAL KHAN
Director/Head of Department
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Announced:
March 8, 2024
Islamabad