



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before Amir M. Khan Afridi – Director/Head of Department

In the Matter of

Morafco Industries Limited

Number and Date of SCN: CSD/ARN/573/2019-275 dated April 12, 2021
Dates of Hearings: May 28, 2021, June 30, 2021, July 9, 2021 & July 16, 2021
Present: None

ORDER

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

This Order shall dispose of the proceedings initiated against Morafco Industries Limited (**the Respondent**) through Show Cause Notice (**the SCN**) dated April 12, 2021 issued under Section 132 of the Companies Act, 2017 (**the Act**) read with Section 479 thereof.

2. Brief facts of the case are that under sub-section (1) of Section 132 of the Act, the Respondent was required to convene its Annual General Meeting (**AGM**) for the financial year ended June 30, 2020 within one hundred and twenty days of the closing of its financial year. But it was observed that the Respondent failed to convene the said AGM within the required time period. By not convening the AGM within the stated time period, the Respondent, *prima facie*, has contravened the provisions of Section 132 of the Act.

3. While taking cognizance of the matter, the SCN was issued to the Respondent requiring it to show cause in writing as to why penal action may not be taken against it for non-compliance with the aforesaid provisions of the Act. The Respondent didn't submit written response to the SCN despite repeated reminders.

4. In order to provide opportunity of representation, hearing in the matter was fixed before the undersigned for May 28, 2021. The Respondent failed to appear in person or through authorized representative to present its case. Second hearing opportunity was provided to the Respondent for June 30, 2021 to present the case, however, the Respondent again failed to appear. Third hearing was for July 9, 2021, but again, the Respondent failed to appear. Fourth hearing was fixed for July 16, 2021. While fixing the fourth hearing, it was explicitly conveyed that in case the Respondent failed to appear, the Commission will issue an *ex-parte* Order in the matter on the basis of material available on record. The Respondent failed to appear before the undersigned even in the fourth hearing.

Keeping in view the above, I am constrained to conclude the proceedings as *ex-parte*, based on the information available on record.

5. Relevant provisions of the law are reproduced hereinunder:

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



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“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.”

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

“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.”

6. I have considered facts of the case and relevant provisions of the law and state that holding of AGM is a vital statutory requirement as it provides an opportunity to the members to participate in the decision making and voting on agenda items of the general meetings which include consideration and approval of the company's financial statements.

In order to ensure transparency and protect the shareholders' rights, all companies must adhere to the law by following the relevant procedure for holding AGMs. The Respondent cannot absolve itself from its statutory duties pertaining to holding of the AGM, preparation and filing of annual and quarterly financial statements in a timely manner as specified under the law.

7. In view of the above, it is concluded that the relevant provisions of the statute have been violated which renders the Respondent liable to penal action in terms of Section 132 of the Act. Therefore, in the exercise of powers conferred under sub-section (5) of Section 132 of the Act, I hereby impose a fine of **Rs. 50,000/- (Rupees fifty thousand only)** on the Respondent i.e. Morafco Industries Limited.

8. The aforementioned fine 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 under Section 485 of the Act will be initiated for recovery of the same as arrears of land revenue.

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

10. It may be mentioned here that the Pakistan Stock Exchange (PSX) vide its announcement dated July 06, 2021 has decided to delist the Company from PSX with effect from July 13, 2021.

(Amir M. Khan Afridi)
Director/Head of Department
Adjudication Department - I

Announced:
October 6, 2021
Islamabad