



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

Before Mahboob Ahmad – Additional Director/
Head of Listed Companies Wing

In the Matter of

Dadabhoy Construction Technology Limited

Number and Date of SCN: No.CSD/ARN/121/2015-21 dated May 3, 2023

Dates of Hearings: May 31, 2023, June 22, 2023, August 15, 2023

Present: Mr. Imtiaz Haider as Authorized Representative of
the BOD

ORDER

Under Section 237 of the Companies Act, 2017 and Section 479 thereof

This order shall dispose of the proceedings initiated through Show Cause Notice No. No.CSD/ARN/121/2015-21 dated May 3, 2023 (the SCN) issued under Section 237 of the Companies Act, 2017 (the Act) read with Section 479 thereof against board of directors and chief financial officer, hereinafter collectively referred to as the Respondents, of Dadabhoy Construction Technology Limited (the Company).

2. Brief facts of the SCN are that the Company failed to transmit its quarterly financial statements to the Securities and Exchange Commission of Pakistan (the Commission), within the stipulated time pursuant to Section 237 of the Act, for the period ended September 30, 2022 for which due date was October 30, 2022. The Respondents *prima facie*, contravened the provisions of Section 237 of the Act by not transmitting the aforementioned quarterly financial statements with the Commission within the stipulated time. Consequently, the SCN was issued to Respondents to show cause in writing as to why penal action may not be taken against them for non-compliance of Section 237 of the Act. In this regard, no reply was received within the given time.

3. In order to afford the Respondents, an opportunity of personal representation, the matter was fixed for hearing to be held on May 31, 2023. In this regard, Mr. Nazir Ahmed Shaheen through email/letter dated May 30, 2023 submitted that the Company was on the default counter of the Pakistan Stock Exchange and it was working for the revival plan to remain listed on the PSX. He sought adjournment of aforesaid hearing. Thereafter, hearing was fixed for June 22, 2023. In this regard, Mr. Nazir Ahmed Shaheen again through letter dated July 6, 2023 requested that hearing in the matter be held after the agreement of Pakistan Stock Exchange (PSX) with the proposed revival plan. A hearing in the matter was thereafter fixed for August 15, 2023. On the date of hearing, Mr. Imtiaz Haider appeared as Authorized Representative of the Board of Directors. He was authorized through general power of attorney of the board issued dated August 12, 2023. He, *inter alia*, submitted that revival plan of the Company was under



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - 1 -

consideration. He requested to hold on the proceedings till the decision is made by the PSX on the revival plan of the Company. He requested to not to impose any penalty in this regard.

4. Subsequent to the hearing, a reply dated August 23, 2023 was received from the Authorized Representative, in terms of which it was, *inter alia*, stated that:

- (i) PSX suspended trading on August 1, 2012 owing to non-compliances and defaults on the part of the Company with regard to PSX Regulations.
- (ii) The Company and its management struggled to comply with the requirements of PSX Regulations and its efforts paid off partially.
- (iii) Due to economic recession, covid-19 and due to demise of two directors, the Company faced it difficult to comply with the legal requirements.
- (iv) The Company through its letter dated August 11, 2023 has submitted a revival plan to PSX, and the PSX has asked the Company for timely execution of the revival plan. The same revival plan is in implementation phase.
- (v) Proceedings under the subject SCN be put on hold so that Company may fully concentrate on execution of the revival plan agreed with PSX once it is functional listed company.

5. Before proceeding further, it is necessary to advert to the relevant provisions of the law:

Sub-section (1) of Section 237 of the Act read with the Commission's Circular No. 24 dated October 19, 2017 entails:

1) Every listed company shall prepare quarterly financial statements within a period of :-

- a) thirty days from the close of first and third quarters of its year of accounts; and
- b) sixty days from the close of its second quarter of its year of accounts.

2) The quarterly financial statements shall be posted on the company's website for the information of its members and also be transmitted electronically to the Commission, securities exchange and with the registrar within the period specified under sub-section (1).

Sub-section (4) of Section 237 read with Section 479 of the Act stipulates that:

If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief financial officer of the company who has by his act or omission been the cause of such default shall be liable to a penalty of level 2 on the standard scale.

6. As regards the matter at hand, I have analyzed the facts of the case, relevant provisions of the Act, and the arguments put forth during the course of the hearing as well as the written correspondence made. In this regard, it is observed that:

- (i) The provisions of Section 237 are unambiguous and explicit. The timing of quarterly financial statements is of essence and the disclosure requirements of these quarterly financial statements have been kept to a bare minimum. Quarterly financial statements prepared accurately and in a timely manner not only provide to its users a reliable source of information regarding a Company's financial position and performance but also shows the results of the management's stewardship of resources entrusted on to it. In order to ensure transparency, the



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - 2 -

Respondents have fiduciary duty to ensure that the Company must meticulously adhere to the law for preparation and transmission of quarterly financial statements. Moreover, the Respondents in addition to their responsibilities of overseeing and managing the affairs of the Company, also have fiduciary duties towards the Company and its shareholders. It is the responsibility of the Respondents to oversee the functioning of the Company, to keep it appropriately organized to ensure due compliance of the law. In this context, Respondents cannot absolve themselves from their statutory duties pertaining to preparation and transmission of quarterly financial statements in a timely manner as stipulated under the Act.

- (ii) The preparation and transmission of quarterly financial statements within the statutory timeframes rest with the Respondents. In this context, perusal of Company records reveals that the Respondents failed to electronically transmit the Company's quarterly financial statements for the period ended September 30, 2022 pursuant to Section 237 of the Act read with the Circular; likewise, the Company has poor compliance history with regard to transmission of quarterly financial statements. It is pertinent to note that the Respondents have deprived the shareholders of their statutory right to receive quarterly financial statement of the Company within the prescribed time.
- (iii) The Respondent CFO neither made his representation in writing nor appeared in the hearing in person or through a representative. Therefore, I am of the view that he has nothing to state in respect of the instant proceedings, so I am constrained to conclude the proceedings based on the available record.

7. In view of the preceding facts, I have come to the conclusion that the afore-said provisions of the Act have been violated and it renders the Respondents liable to penal action in terms of Section 237 of the Act as a result of failing to electronically transmit the Company's quarterly financial statements for the period ended September 30, 2022 with the Commission within the statutory timeframes as stipulated under the law. Therefore, in exercise of powers conferred under sub-section (4) of Section 237 of the Act, I hereby impose an aggregate penalty of Rs. 80,000/- (Rupees eighty thousand only) on the Respondents for the aforementioned default period as follows:

Sr. #	Name of Respondent	Amount in Rupees
1	Mr. Faheem Khan Niazi, Chief Executive	10,000/-
2	Malik Shaheer Khalid, Director	10,000/-
3	Mr. Fazal Karim Dadabhoy, Director	10,000/-
4	Khawaja Mansoor Ali, Director	10,000/-
5	Ch. Muhammad Javed Siddique, Director	10,000/-
6	Mr. Zain Khalid Bhatti, Director	10,000/-
7	Mr. Ahsan Hassan Khawaja, Director	10,000/-
8	Mr. Muhammad Aslam Moten, CFO	10,000/-
TOTAL		80,000/-



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - 3 -

8. The aforementioned penalties must be deposited in the designated bank account maintained with MCB Bank Limited or United Bank Limited in the name of the *Securities and Exchange Commission of Pakistan* within thirty (30) days from the receipt of this Order, and duly deposited bank challan shall be furnished to the Commission. In case of non-deposit of the penalties, proceedings for recovery under Section 485 of the Act as arrears of land revenue will be initiated. It may also be noted that the penalty has been imposed on the Respondents in their personal capacity; therefore, they are required to pay the said amount from personal resources.

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

Mahboob Ahmad
Additional Director/ Head of Wing
Listed Companies, Adjudication Department - I

Announced:
September 5, 2023
Islamabad