



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

Before Mahboob Ahmad – Additional Director/Head of Wing

In the Matter of

Beco Steel Limited

Number and Date of SCN: Adj.I/ARN/39/2023-93 dated August 08, 2023
Hearing Date: September 04, 2023
Present: Rana Shakeel Shaukat as Authorized Representative

ORDER

UNDER SECTION 237 READ WITH SECTION 479 OF THE COMPANIES ACT, 2017

This order shall dispose of the proceedings initiated through Show Cause Notice Adj.I/ARN/39/2023-93 dated August 08, 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 Beco Steel Limited (the Company):

2. Brief facts of the SCN are that the Company failed to electronically transmit its quarterly financial statements for the following periods with the Securities and Exchange Commission of Pakistan (the Commission) within the stipulated time pursuant to Section 237 of the Act read with Circular No. 24 of 2017 (the "Circular"):

Sr. #	Period ended	Filing due on
1	December 31, 2022	March 1, 2023
2	March 31, 2023	April 30, 2023

3. The Respondents, *prima facie*, contravened the provisions of Section 237 of the Act read with the Circular by failing to electronically transmit the aforementioned quarterly financial statements with the Commission within the stipulated time. In order to take cognizance of the aforesaid contravention, the SCN was served upon the 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 read with the Circular.

4. In this regard, the Company through its reply dated August 21, 2023, *inter alia*, submitted that:

- (i) The primary reason for delay is that external auditor's management partner, M/s Tariq Abdul Ghani Maqbool & Co. Chartered Accountants (TAGM), underwent a transition period due to their establishment of a new office in Doha, Qatar. This relocation took place without prior communication with the Company. As a result, engagement



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - 1 -

partner was changed who requested an advance fee for the next three years, proposing a three-year installment plan, which was declined by the Company.

(ii) Subsequently, the new External Auditor, M/s Sheikh & Chaudhari, Chartered Accountants was appointed with the recommendation of the Board Audit Committee after removal of previous auditor and endorsement by shareholders in EOGM for appointment of M/s Sheikh & Chaudhari, Chartered Accountants.

(iii) It is assured that in future compliance shall be ensured.

5. In order to afford the Respondents, an opportunity of personal representation, the matter was fixed for hearing on September 04, 2023. On the date of hearing Rana Shakeel Shaukat appeared as Authorized Representative and submitted that:

- (i) Delay in finalization of the auditor's review, caused delay in preparation and transmission of the quarterly accounts for the periods ended December 31, 2022 and March 31, 2023 respectively. New auditor has been appointed with effect from July 10, 2023.
- (ii) The aforesaid quarterly accounts shall be transmitted within a week after approval of the board of directors.
- (iii) Requested to take lenient view and the assured to comply with the given provisions in future.

6. The relevant provisions of the Act stipulate as under:

Sub-section (1) of Section 237 of the Act read with the Commission's Circular No. 124 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.

7. 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:



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - 2 -

- (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 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 December 31, 2022 and March 31, 2023 pursuant to Section 237 of the Act read with the Circular; and the default persisted till date. 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) As per the notice dated February 17, 2023 of board meeting, available on the website of Pakistan Stock Exchange, the agenda item of the meeting was to consider and approve quarterly financial statements for the period ended December 31, 2022. The said meeting was later on adjourned through notice dated February 28, 2023. However, steps in this regard to change the auditor was taken through EOGM dated July 10, 2023 with a significant delay. Keeping in view, the cited reason of auditors' relocation, for default of non-transmission of quarterly accounts for the said periods, is not cogent.

8. 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 periods ended December 31, 2022 and March 31, 2023 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. 120,000/- (Rupees One Hundred and Twenty thousand only) on the Respondents for the aforementioned defaults, as follows:



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

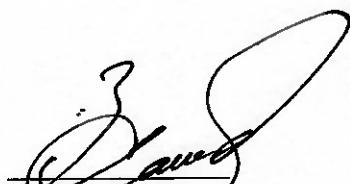
Adjudication Department - I
Adjudication Division

Continuation Sheet - 3 -

Sr. #	Name of Respondent	For December quarter default (PKR)	For March quarter default (PKR)
1	Mr. Ali Shafique Chaudhary, Chief Executive	7,500/-	7,500/-
2	Mr. Muhammad Zain-ul-Afaq, Director;	7,500/-	7,500/-
3	Mr. Abdul Shakoor, Director;	7,500/-	7,500/-
4	Mr. Muhammad Hashim Tareen, Director;	7,500/-	7,500/-
5	Ms. Eman Shafique, Director;	7,500/-	7,500/-
6	Mr. Muhammad Asim Raza, Director;	7,500/-	7,500/-
7	Mr. Mahmood Aslam, Director;	7,500/-	7,500/-
8	Ms. Afifa Shafique, Director & CFO;	7,500/-	7,500/-
TOTAL		60,000/-	60,000/-
		120,000/-	

9. 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.

10. 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 Wing
Adjudication Department - I

Announced:
September 11, 2023
Islamabad