



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

Before

Shahzad Afzal Khan, Director/ Head of Department

In the matter of

CALCORP Limited

Show Cause Notice No. & Date No. ADJ.I/ARN/38/2023-245 dated July 26, 2023

Date of Hearing: September 13, 2023; and September 21, 2023

Present: Mr. Haider Ali Hilaly, CEO; Mr. Saad Saeed Faruqui, Director; Mr. Mohammad Danish Hussain, Director; Mr. Shahrukh Saeed Faruqui, Director and Mr. Yousaf M. Farooq, Independent Director

ORDER

Under Section 512(2) of the Companies Act, 2017 read with Regulation 36 and 37 of the Listed Companies (Code of Corporate Governance) Regulations, 2019

This Order shall dispose of proceedings initiated by the Securities and Exchange Commission of Pakistan (the "Commission") through the Show Cause Notice dated July 26, 2023 (the "SCN") issued under Section 512 of the Companies Act, 2017 (the "Act") read with regulation 36 and regulation 37 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the "Regulations") to CALCORP Limited (the "Company") and its board, hereinafter collectively referred to as the Respondents.

2. Facts of the case are that review of the annual audited financial statements of the Company for the year ended June 30, 2022 (the "Accounts"), revealed that the Company failed to:
- (i) comply with clause 10 of Statement of Compliance ("SoC") i.e. Annexure-A of the Regulations by not stating therein that the Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their terms and conditions of employment; and
 - (ii) provide reasons for aforesaid non-compliance in its SoC in contravention of clause 19 of SoC of Annexure - A of the Regulations.
3. The Commission, vide letter dated April 27, 2023, sought clarification in respect of aforesaid non-compliances. The Company in its response dated May 12, 2023, stated that (relevant extracts):
- (i) There was no changes in the offices of Chief Financial Officer, Company Secretary and Head of Internal Audit during the financial year 2022 (FY 2022), therefore, said disclosure from Statement of Compliance (SoC) has been omitted



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- inadvertently as opposed to disclosing the fact that there has been no such change in position in terms of employments of these office holders.
- (ii) The appointment of said officers was in accordance with these CCG Regulations at all times.
 - (iii) There is an omission by the Company in providing necessary explanations for non-compliance with the non-mandatory requirements of the Regulations and proper compliance will be ensured in subsequent submissions.

4. From the above discussion, it appears that the Company, *prima facie*, has contravened the provisions of:

- i. Clause 10 of Annexure-A of the Regulations by not disclosing the information that the Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of employment;
- ii. Clause 19 of Annexure-A of the Regulations by not providing necessary explanations for non-compliance to the non-mandatory requirements of the Regulations; and
- iii. Regulation 36(3) of the Regulations, being a mandatory provision, by publishing and circulating a statement otherwise as given at Annexure-A to the Regulations.

5. In order to take cognizance of the aforesaid non-compliance, SCN was served on the Respondents for the aforesaid contraventions. In response to the SCN, the Company, vide letter dated August 16, 2023 submitted written response and relevant extracts thereof are provided hereunder:

- Disclosure relating to clauses 10 and 19 of the Regulations was inadvertently omitted due to the reason that during FY 2022 there was no change in the offices of Chief Financial Officer ("CFO"), Company Secretary ("CS") and Head of Internal Audit;
- The Company has always remained compliant with the regulatory requirements and this instance of inadvertent omission in reporting compliance of non-mandatory requirements in SoC is regretted. Diligence will be enhanced to ensure future compliance, therefore, lenient view for instant oversight is requested.

6. In order to provide opportunity of personal representation, hearing in the matter was fixed for September 13, 2023 that was adjourned on the request of the Company. Subsequently, hearing was scheduled for September 21, 2023 wherein Mr. Haider Ali Hilaly, CEO; Mr. Saad Saeed Faruqi, Director; Mr. Muhammad Danish Hussain, Director; Mr. Shahrukh Saeed Faruqi, Director and Mr. Yousaf M. Farooq, Independent Director appeared on behalf of the Respondents as their Authorized Representative (AR) and reiterated aforesaid written response and further stated that:



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- All key executives were appointed with approval of the board and none of them were appointed during FY 2022; and
- Company has always remained compliant and the said omission was inadvertent. Company will ensure future compliance, therefore, lenient view is requested.

7. Relevant legal provisions of the Regulations and the Act provides that:

The Regulations:

"36. Compliance Statement and Auditor Review.- (1) It is mandatory that the company shall publish and circulate a statement, as given under Annexure A to these Regulations, along with their annual reports to set out the status of their compliance with the requirements of these Regulations and the said statement shall be specific and supported by necessary explanations.

Clause 10 of Annexure-A: The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

Clause 19 of Annexure-A: Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below (if applicable).

37. Penalty.- Whoever fails or refused to comply with, or contravenes regulation 3, 6, 7, 8, 27, 32, 33 and 36 of these Regulations, shall be punishable with penalty as provided under sub-section (2) of section 512 of the Act."

The Act:

"512 Power to make regulation. (2). Any regulation made under sub-section (1) may provide that a contravention thereof shall be punishable with a penalty which may extend to five million rupees and, where the contravention is a continuing one, with a further penalty which may extend to one hundred thousand rupees for every day after the first during which such contravention continues."

8. I have gone through the facts of the case, considered the written submissions made, arguments extended during the hearing and observed that the non-compliance of regulation 36 of the Regulations is admitted by the Respondent and, therefore, is liable to be penalized under section 512(2) of the Act read with regulation 37 of the Regulations.

9. In view the above, I, in exercise of powers conferred under section 512(2) of the Act read with regulation 37 of the Regulations, hereby conclude the proceedings initiated against the Respondents through the SCN by imposing an aggregate penalty of **Rupees fifty thousand only (Rs. 50,000/-)** on the Company. The remaining Respondents are **Warned** to be careful in future and ensure meticulous compliance of the law in letter and spirit.



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10. The aforesaid penalty 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 days from the receipt of this order and furnish receipted bank vouchers to the Commission. In case of non-deposit of the penalties, proceedings for recovery of the fines as arrears of land revenue in terms of Section 485 of the Act will be initiated.

11. Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for imposition of penalties in respect of any default, omission, violation of the Act.

(Shahzad Afzal Khan)
Director/ HOD
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Announced:

Dated: September 28, 2023
Islamabad