

Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)

**In the matter of Show Cause Notice issued to Metropolitan Steel Corporation Limited**

Dates of Hearings

October 23, 2020, January 20, 2021, February 11, 2021, and March 5, 2021

**Order-Redacted Version**

Order dated March 22, 2021 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Metropolitan Steel Corporation Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated January 7, 2020
2. Name of Company	Metropolitan Steel Corporation Limited
3. Name of Individual*	The proceedings were initiated against the directors of the Company i.e. Metropolitan Steel Corporation Limited
4. Nature of Offence	Violation of Listed Companies (Code of Corporate Governance) Regulations, 2017 read with section 512 of the Companies Act, 2017
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have examined the submissions made in writing and during the hearing as well as issues highlighted in the SCN and requirements of the Regulations and of the Act. At the outset, it is relevant to mention here that Auditors of the Company in their review report annexed with the Accounts 2018, on the SOC with the Regulations, <i>inter alia</i>, highlighted instances of non-compliances of Regulation 6, Regulation 10(2), Regulation 10(3), Regulation 10(4), Regulation 10(v), Regulation (11), Regulation 15, Regulation 20, Regulation 21, Regulation 25, Regulation 26, Regulation 28, Regulation 29 and Regulation 32 of the Regulations , which indicates an independent and external evaluation of compliance, and demands that proceedings be initiated against the Respondents for the aforesaid non-compliances. However, based on the available record, I have analyzed the matter in the following manner:</p> <p>(i) As per stance of the Respondents that steps were taken to improve the corporate governance of the Company and financial year 2018 was first year after issuance of the Regulations of 2017. In this regard, it is observed that such</p>

stance of the Respondents is not substantiated as the independent auditors' review report to the members on SOC as annexed with Accounts 2019, also highlighted instances of non-compliances of Regulation 6, Regulation 19, Regulation 20, Regulation 23, Regulation 28, Regulation 29, Regulation 30, Regulation 31 and Regulation 32 of the Regulations.

(ii) The Authorized Representative in support submitted copy of annual risk management report of 2020, internal control manual, significant accounting policies developed, and notices of board meetings held subsequent to financial year 2018. However, I, observe that said subsequent steps did not ensure compliance for all the mentioned violations of the Regulations and does not exonerate the Respondents for the non-compliances of Regulations as per SCN.

(iii) I, am of the view that having independent directors, sound internal control system, complete record of significant policies, arrangements of directors training program, circulation of notices of board meetings, constitution of audit committee comprising of independent directors and defining terms of audit committee, mandatory compliance requirements of education qualifications of company secretary, recording of minutes of audit committee, appointment of chief financial officer and head of internal audit, and internal audit function are key requirements prescribed in terms of Regulations and compliance requirements in this regard are mandatory.

(iv) With regard to the request of the Respondents to relax the requirements of the Regulations for the financial year 2018 does not fall within the ambit of the said proceedings.

2. In view of the foregoing, I, am of the view that lapses were demonstrated by the Respondents. Further, the Auditor of the Company reported such non-compliances in his review report on the SOC 2018 with the Regulations. The Respondents, therefore, at the relevant time of SOC 2018, violated the requirements of Regulation 6, Regulation 10(2), Regulation 10(3), Regulation 10(4), Regulation 10(v), Regulation (11), Regulation 15, Regulation 20, Regulation 21, Regulation 25, Regulation 26, Regulation 28, Regulation 29 and Regulation 32 of the Regulations, for which justifiable grounds do not exist and reasons of non-compliances are not acceptable.

	<p>3. Keeping in view a penalty of Rs. 50,000/- (Rupees fifty thousand) each on chairman and chief executive of the Company (total aggregate penalty of Rs. 100,000/- only (Rupees one hundred thousand) were imposed .</p> <p>Penalty order dated March 22, 2021 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A Penalty of Rs. 100,000/- (One hundred thousand) was imposed on chairman and chief executive officer of the company.
7. Current Status of Order	No Appeal has been filed by the Respondents till date.