

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

In the matter of Show Cause Notice issued to Pakistan PVC Limited

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Date of Hearing

January 23, 2020

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**Order-Redacted Version**

Order dated March 20, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Pakistan PVC Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated May 10, 2019
2. Name of Company	Pakistan PVC Limited
3. Name of Individual	The proceedings were initiated against the board of directors of the Company i.e. Pakistan PVC Limited
4. Nature of Offence	In view of alleged violations of section 134 read with SRO 423(I)/2018_ of the Companies Act, 2017.
5. Action Taken	<p>Key findings of default of Act and SRO were reported in the following manner:</p> <p>I have examined the facts of the case and requirements of the Act, it is evident that the Company in its notice for AGM held on October 07, 2018 stated in its agenda, as special business, approval from shareholders for sale, lease or otherwise disposal of undertaking or sizeable part thereof. The Company was informed regarding non-compliance with requirements of sub-section (3) of Section 134 of the Act and SRO. Therein, the Company circulated addendum published in newspaper on October 15, 2018 however the statement of material facts remains the same, i.e. devoid of disclosures required under Clause 5 (I)(i) and (iv) of part B of the SRO, on the pretext that the Company only intends to lease and</p>



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not dispose of the undertaking or sizeable part. During the hearing, the authorized representative, admitted default in failure to disclose the relevant details in accordance with the requirements of SRO in the statements of material facts annexed to the said notice of AGM. Further, the minutes of aforesaid AGM provided by Company state ratification of aforesaid agenda and authorization by shareholders for lease undertaking or sizeable part. As for supporting evidence, rent agreements pertaining to period 2019-2021 were provided. Subsequently, the Company has only opted for lease of agreement. Nonetheless, the aforesaid does not absolve the Company from compliance with the requirements of sub-section (3) of Section 134 of the Act read with SRO.

2. It is important to mention that purpose of the requirements of Section 134 and SRO is to ensure that all material and relevant facts, which have a bearing on the issue on which the shareholders have to form their judgement, are brought to the notice of the shareholders at the stipulated time enabling shareholders to make informed decision. Superior courts have held a stringent view on failure to appropriately disclose material facts to shareholders to the extent of barring the company to deal in such business to be transacted and declaring such matter as void. In matter *Centron Industrial Alliance Ltd. v. Pravin Kantilal Vakil*, (1985) 57 Com Cases 12 (Bom) it was held that where the explanatory statement is vague and tricky, or insufficient and misleading, the related resolution is bad in law. Therefore, the directors, both individually and as a board, must ensure that proper systems are in place that do not restrain shareholders from exercising their right to all material information or hampering their decision making powers entrusted under the law.

3. From the above discussion and after careful consideration of all the facts of this case, I am of the view that the provisions of Section 134 of the Act read with SRO have been contravened and the respondents are liable under the Act.



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	Penalty order dated March, 2020 was passed by Executive Director (Adjudication-I).
2. Penalty Imposed	A penalty of Rs.350,000/- (Three hundred and fifty thousand) was imposed on the board of directors of the Company.
3. Current Status of Order	No Appeal has been filed by the respondents

Redacted version issued on September 01, 2020 for placement of website of the Commission.