



Corporate Supervision Department  
Company Law Division

Before Amina Aziz – Director

*In the matter of*

**Punjad Feeds Limited**

Number and date of notice: EMD/233/L/38/2010-902 dated January 6, 2015  
Date of hearing: December 8, 2015  
Present: Mr. Asrar Ul Majeed Khan, Authorized Representative

**ORDER**

**UNDER SECTION 227 READ WITH SECTIONS 229 AND 476 OF THE COMPANIES  
ORDINANCE, 1984**

This order shall dispose of the proceedings initiated against the following directors including the Chief Executive (the “respondents”) of **Madina Jute Mills Limited** (the “Company”):

- |  |                                |
|--|--------------------------------|
| 1. H. Muhammad Bashir, Chief Executive | 4. M. Khaleeq Arshad, Director |
| 2. Mst. Huma Mussadiq, Director        | 5. M. Tariq Niaz, Director     |
| 3. M. Farooq Asghar, Director          | 6. Muhammad Tahir, Director    |

These proceedings were initiated through show cause notice (“SCN”) dated January 6, 2015 under the provisions of section 227 read with sections 229 and 476 of the Companies Ordinance 1984 (the “Ordinance”).

2. The brief facts of the case are that examination of the annual audited financial statements for the years ended June 30, 2011, 2012 and 2013 (the “Accounts”) filed under section 242 of the Ordinance and other information provided by the Company revealed that the Company operates an approved contributory provident fund for its all employees and equal monthly contributions are made by the Company and the employees at the rate of 10% per annum of the employees’ basic salary. In response to the Commission’s letter dated November 24, 2014, in this regard, the Arman & Co., Chartered Accountants on behalf of the Company, vide letter dated December 24, 2014 submitted the certified copies of ledger accounts, bank account statements for the periods ended July 01, 2010 to June 30, 2013 and audited accounts of the of employees provident fund trust (“EPF”). The analysis of ledger accounts and bank statement of EPF revealed that the Company was not paying the amounts of EPF contributions, within the stipulated time of fifteen to the EPF, prima facie, in violation of the requirements of section 227 of the Ordinance. Consequently, the



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

*Continuation Sheet - 1 -*

SCN was issued to the respondents requiring them to show cause in writing as to why penal action may not be taken against them in terms of section 229 of the Ordinance.

3. In response to the SCN, the respondents submitted reply through, Mr. Asrar Ul Majeed Khan, their authorize representative. With reference to the contents of the SCN, the respondents submitted that the Company furnished evidence regarding the provident fund truthfully, which shows that the company contributes its own share of provident fund and deposits regularly in EPF's bank account, albeit with some delay. The delay was neither intentional nor willful, and was because of adverse reason of sudden death of concerned staff member and, at times, due to paucity of funds. The respondents further stated that it was the first default of this nature and delay in payments of EPF amounts was regretted. Giving assurance for future compliance the respondents requested for a lenient view.

4. The case was fixed for hearings on November 17 and November 23, 2015, however every time, the respondents requested for adjournments. Finally the hearing was held on December 8, 2015 before the undersigned. Mr. Israr Ul Majeed Khan, FCA, appeared on behalf of the respondents and mainly reiterated the earlier stance. Additionally, he made following verbal submission:

- Although maintaining of EPF is not mandatory by the law, the Company has maintained it for its employees' welfare and this fact must be appreciated by the Commission.
- Even though with some delays, the Company has been depositing the amounts to the EPF regularly despite financial problems.
- The default is admitted and assurance for future compliance is given.
- Copies of bank statement and ledger of EPF for 2014-15 provided as evidence of timely payment of EPF amounts.

The respondents further stated that provisions of section 227 of the Ordinance should not be strictly applied as it will discourage maintenance of such funds by small companies to the detriment of employees. Based on the submissions, the respondents requested for a lenient view in the matter. However, when attention of the authorized representative was invited to the fact that in terms of section 227 of the Ordinance where a company constitutes an EPF Trust, it is mandatory for it to deposit the employees and employers' contribution within fifteen days to the



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

Continuation Sheet - 2 -

trust and there is no relaxation provided by the law in this regard. He agreed to the fact and assured that going forward strict compliance will be ensured.

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

**Sub-section (3) of section 227** of the Ordinance, inter alia, provides that *Where a trust has been created by a company with respect to any provident fund referred to in sub-section (2), the company shall be bound to collect the contributions of the employees concerned and pay such contributions as well as its own contributions, if any, to the trustees within fifteen days from the date of collection, and thereupon, the obligations laid on the company by that sub-section shall devolve on the trustees and shall be discharged by them instead of the company.*

**Section 229** of the Ordinance provides that *whoever contravenes or authorises or permits the contravention of any of the provisions of section 226 or section 227 or section 228 shall be punished with a fine which may extend to five thousand rupees and shall also be liable to pay the loss suffered by the depositor of security or the employee on account of such contravention.*

In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 229 of the Ordinance have been delegated to the Director (Corporate Supervision Department).

6. Having gone through the facts of the case, provisions of the law and submissions of the respondents, I have concluded that the provisions of section 227 of the Ordinance have been violated as the Company has not deposited the amounts of EPF to the EPF Trust within fifteen days from the date of collection in terms of the law. During the period from July 2010 through to June 2013, there have been multiple instances where the Company, instead of depositing the amounts of EPF to the Trust on a monthly basis with fifteen days, has been depositing the EPF contributions after every two to three months. However, the maximum amount payable to EPF Trust has not exceeds Rs248,156/- and as of June 30, 2013 it was nil. It appears that despite some delays, the Company has been paying the EPF contribution to the Trust regularly. Moreover, as



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

*Continuation Sheet - 3 -*

per copies of bank statements and ledger account of EPF for 2014-15, provided by the respondents, it appears that the Company has started paying the EPF contribution to the Trust within stipulated time. Therefore, keeping in view these facts, instead of imposing fines on the respondents, I hereby concluded the proceedings with a stern warning to the respondents to be careful in future and ensure meticulous compliance with applicable provisions of section 227.

Before parting with the order, I hereby invoke the provisions of section 473 of the Ordinance and in terms of section 229 of the Ordinance, direct the Company to pay to the EPF Trust mark up on the contributions of EPF that were paid with delays. The mark up calculated at the prevailing bank rate must be paid to the EPF Trust within thirty days from the date of receipt of this order.

**Amina Aziz**  
Director (CSD)

**Announced:**  
December 10, 2015  
Islamabad