



Corporate Supervision Department
Company Law Division

Before Amina Aziz – Director

In the matter of

Sefam (Private) Limited

Number and date of notice: EMD/242/L/368/2012-746 dated December 15, 2014
Date of hearing: November 20, 2015
Present: Mr. Arshad Raheem - Authorized Representative

ORDER

**UNDER SECTION 227 READ WITH SECTION 229 AND SECTION 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 Sefam (Private) Limited (the "Company"):

1. Mr. Hamid Zaman
2. Ms. Seema Aziz
3. Ms. Suriya Zaman

These proceedings were initiated through show cause notice ("SCN") dated December 15, 2014 under the provisions of section 227 read with section 229 and section 476 of the Companies Ordinance 1984 (the "Ordinance").

2. The brief facts of the case are that on examination of the annual audited accounts of the Company for the year ended June 30, 2013 ("Accounts"), it was revealed that the Company operates recognized provident fund scheme ("Fund") for all of its permanent employees. It was also observed from note 32 to the Accounts that the Company contributed to the Fund an amount of Rs37.746 million (2012: Rs30.408 million) and an amount of Rs20.688 million was appearing as "payable to the Fund"- (Note 19 to the Accounts). Apparently the Company has not deposited contributions to the Fund in timely manner in prima facie, non-compliance with the requirements of Section 227 of the Ordinance. Consequently, the 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. The respondents replied vide letter dated January 8, 2015 and submitted as follows;

- The payable amount of Rs20.688 million represents:

- Contribution for the month of May 2013	Rs 3.495 million
- Contribution and subscription for the month of June 2013	Rs 7.018 million
- Deduction of advances from members / staff	Rs10.175 million



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- The amount was subsequently deposited by July 25, 2013.
- The respondents undertake to make proper compliance of Sub-section (2) of Section 227 of the Ordinance in future.

4. In order to provide opportunity of personal hearing; the case was fixed before the undersigned on November 20, 2015. Mr. Arshad Raheem, Authorized Representative on behalf of respondents appeared and reiterated the earlier stance of the respondents and requested for a lenient view in the matter. The authorized representative was asked to provide subsequent compliance of Section 227 of the Ordinance. The Company vide letter dated November 27, 2015 provided information which shows that the Company is making timely contribution in the fund.

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

Section 227 of the Ordinance, inter alia, provides as under:

Sub-section (2): *Where a provident fund has been constituted by a company for its employees or any class of its employees, all moneys contributed to such fund, whether by the company or by the employees, or received or accruing by way of interest, profit or otherwise from the date of contribution, receipt or accrual, as the case may be, shall either —*

(a) *be deposited —*

- (i) *in a National Savings Scheme;*
- (ii) *in a special account to be opened by the company for the purpose in a scheduled bank; or*
- (iii) *where the company itself is a scheduled bank, in a special account to be opened by the company for the purpose either in itself or in any other scheduled bank; or*

(b) *be invested in Government securities; or*

(c) *in bonds, redeemable capital, debt securities or instruments issued by the Pakistan Water and Power Development Authority and in listed securities subject to the conditions as may be prescribed by the Commission.*

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.*



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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 Fund in timely manner. However keeping in view the subsequently compliance of Section 227 of the Ordinance by the Company, I hereby conclude the case with a warning to the respondents to be careful in future regarding compliance with applicable legal provisions.

Amina Aziz
Director
Corporate Supervision Department

Announced:
December 11, 2015
Islamabad