



# Securities and Exchange Commission of Pakistan

Adjudication Division  
Adjudication Department-I

Before

Amir M. Khan Afridi- Director/ Head of Department

In the matter of Show Cause Notice issued to Agritech Limited

Dates of Hearing

April 27, 2022 and May 10, 2022

## Order-Redacted Version

Order dated May 13, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Agritech Limited. Relevant details are given as hereunder:

| Nature                 | Details   |
|------------------------|---|
| 1. Date of Action      | Show cause notice dated March 7, 2022   |
| 2. Name of Company     | Agritech Limited  |
| 3. Name of Individual* | The proceedings were initiated against the board of directors of the Company  |
| 4. Nature of Offence   | <p>Proceedings were initiated in terms of the regulations 4(1) and 7 of the Companies (Maintenance and Audit of Cost Accounts) Regulations, 2020 (the Regulations) read with Section 512(2) of the Companies Act, 2017 (the Act).</p> <p>Brief facts of the case are that the Securities and Exchange Commission of Pakistan (the Commission) pursuant to the requirements of Sections 220(1) and 250(1) of the Act has notified the Cost Audit Regulations through S.R.O. 1336(I)/2020 dated December 14, 2020. In terms of regulation 1(3) thereof, the Cost Audit Regulations are effective from the date of their notification. In terms of regulation 4(1) of the Cost Audit Regulations, the board of directors of the companies specified under Schedule to the Cost Audit Regulations, are required to appoint first cost auditor within ninety (90) days from the date of notification of the Cost Audit Regulations and thereafter appoint cost auditor within one hundred and eighty (180) days from the close of their respective each financial year. Appointment of the cost auditor is also required to be notified to the Commission within fourteen (14) days from the date of the Board of Directors' (the Board) meeting</p> |



# Securities and Exchange Commission of Pakistan

## Adjudication Division Adjudication Department-I

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|                 | <p>in which appointment of cost auditor is approved, on the prescribed form under regulation 4(2) of the Cost Audit Regulations. The Company is engaged in production, processing and manufacturing of Chemical Fertilizers, which is specified under Schedule of the Cost Audit Regulations and is required to appoint cost auditor.</p> <p>It was observed that the Company, <i>prima facie</i>, has failed to appoint its first cost auditor within the stipulated time period of ninety (90) days from the date of notification of the Cost Audit Regulations i.e. latest by March 14, 2021, contrary to the requirements of regulation 4(1) <i>ibid</i>. The said failure on part of the Respondents attract applicability of the penal provision contained in regulation 7 of the Cost Audit Regulations read with Section 512(2) of the Act. Hence, proceedings were initiated against the Respondents through the SCN requiring them to show cause in writing, within fourteen (14) days of the date of the SCN, as to why action should not be initiated against them for the aforesaid failure/non-compliance.</p>   |
| 5. Action Taken | <p>Key findings were reported in the following manner:</p> <p>I have gone through the facts of the case, submissions made in writing by the Respondents and the arguments made by the Authorized Representative during the hearing proceedings and observed that the Company is engaged in the production, processing and manufacturing of Chemical Fertilizers, therefore, the Respondents were required to appoint first cost auditors within ninety (90) days of the date of the notification of the Cost Audit Regulations i.e. latest by March 14, 2021, however, the Respondents failed to appoint cost auditor by the said deadline, which is contravention of regulation 4(1) of the Cost Audit Regulations. This said contravention attracts applicability of regulation 7 of the Cost Audit Regulations read with Section 512(2) of the Act. Therefore, I, hereby, impose penalty of <b>Rs. 200,000/- (Two Hundred Thousand only)</b> on the *** and also warn other Respondents to be careful in future with respect to compliance with all the regulatory requirements in letter and spirit.</p> <p>The aforesaid fines must be deposited in the designated bank account maintained with MCB Bank Limited in the name of the Commission within thirty days of the date of this order and furnish receipted bank vouchers to the Commission. In case of non-deposit of the said penalty, proceedings under Section 485 of the Act will be initiated for recovery of the same as arrears of land revenue. It may also be noted that the said fines are imposed on Respondent in personal capacity, therefore, it is required to pay the said amount from personal resources.</p> |



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Adjudication Department-I

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|                            | Nothing in this Order may be deemed to prejudice the operation of any provision of the Cost Audit Regulations/Act providing for imposition of penalties in respect of any default, omission or violation of the Cost Audit Regulations/Act. |
| 6. Penalty Imposed         | <b>Rs. 200,000/- (Two Hundred Thousand only)</b>  |
| 7. Current Status of Order | Penalty was not deposited. Appeal was filed.  |