



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before Shahzad Afzal Khan – Director/Head of Department

In the Matter of

Huffaz Seamless Pipe Industries Limited

Number and Date of SCN: CSD/ARN/203/2015-2272 dated January 6, 2023
Dates of Hearings: January 27, 2023, February 27, 2023, March 20, 2023, April 6, 2023 & June 5, 2023
Present: NONE

ORDER

UNDER SECTION 132 OF THE COMPANIES ACT, 2017 READ WITH SECTION 479 THEREOF

This Order shall dispose of the proceedings initiated against Huffaz Seamless Pipe Industries Limited (**the Company or the Respondent**) through Show Cause Notice (**the SCN**) dated January 6, 2023 issued under Section 132 of the Companies Act, 2017 (**the Act**) read with Section 479 thereof.

2. Brief facts of the case are that the Respondent has failed to convene its Annual General Meeting (**the AGM**) for Financial Year (FY) ended June 30, 2022 within a period of one hundred and twenty (120) days following the closure of its financial year. The said failure on part of the Respondent is violation of sub-section (1) of Section 132 of the Act.

3. While taking cognizance of the said violation, the SCN was issued to the Respondent requiring it to show cause in writing as to why penal action may not be taken against it for the aforesaid non-compliance. The Respondent, however, failed to submit a written response to the SCN.

4. Consequently, to provided opportunity of personal representation, hearing in the matter was fixed for January 27, 2023, however, the Respondent vide letter dated January 24, 2023 requested adjournment of the hearing. Subsequently, hearing was rescheduled for February 27, 2023, however, the Respondent vide letter dated February 25, 2023 requested an extension of ten (10) days. Later on, hearing was fixed for March 20, 2023, yet again the Company requested another adjournment through its letter dated March 16, 2023.

5. The Company, *inter alia*, submitted the following reply to the SCN vide letter dated March 21, 2023:

"As you know that the AGM for year ended June 30, 2022 is only possible after convening the AGM of June 30, 2021 for which company already applied for direction from SECP. Our accounts department has initiated the work on completion of account for year ended 30 June 2022 and we are just waiting for direction of SECP. As and when SECP issue direction for holding AGM as on June 30, 2021 the undersign, after holding AGM-2021 the next AGM for year ended June 30, 2022 would be convened within three months of AGM of 2021.

Further to inform you that said matter was discussed in meeting of board of directors held on June 30, 2022 wherein board of directors showed their deep concern in this matter and categorically agreed that this matter should be placed before shareholders in AGM for year ended June 30, 2021 and take their approval and direction about it. You are therefore requested to kindly withdraw the show cause notice without imposing any penalty as the company is already in trouble due to severe financial crises for last couple of years and penalize in this matter will not only effected financially but also morally."



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6. Subsequently, another hearing opportunity was provided for April 6, 2023, however, Respondent didn't appear in the said hearing and submitted another written reply dated April 3, 2023 reiterating the Company's written stance earlier submitted in response to the SCN as quoted in Para 5 above.

Nonetheless, in order to provide final opportunity to the Respondent to present the case, hearing was re-scheduled for June 5, 2023 wherein it was explicitly stated that in case the Respondent fails to appear, the Commission will proceed in the matter and issue an *Ex-parte Order* on the basis of the material available on record. In this regard, the Respondent didn't appear in the said hearing, rather submitted a written reply dated June 1, 2023 reiterating the Company's written stance submitted earlier as quoted in Para 5 above, asserting that AGM for FY2022 is expected to be held before September 15, 2023 subsequent to holding of AGM for FY2021 anticipated to be held on June 8, 2023.

The detailed status of the hearings fixed is tabularized as follows:

S.No.	Date of Hearing	Status
1	January 27, 2023	No one appeared on behalf of the Respondent
2	February 27, 2023	No one appeared on behalf of the Respondent
3	March 20, 2023	No one appeared on behalf of the Respondent
4	April 6, 2023	No one appeared on behalf of the Respondent
5	June 5, 2023	No one appeared on behalf of the Respondent

In view of the above, I am constrained to conclude the proceedings based on the information available on record.

7. Relevant provisions of the law are reproduced hereinunder:

Sub-section (1) of Section 132 of the Act:

"Every company, shall hold, an annual general meeting within sixteen months from the date of its incorporation and thereafter once in every calendar year within a period of one hundred and twenty days following the close of its financial year.-

Provided that, in the case of a listed company, the Commission, and, in any other case, the registrar, may for any special reason extend the time within which any annual general meeting, shall be held by a period not exceeding thirty days."

Sub-section (5) of Section 132 of the Act:

"Any contravention or default in complying with requirement of this section shall be an offence liable:—

(a) in case of a listed company, to a penalty of level 2 on the standard scale."

8. I have considered the facts of the case in light of the relevant provisions of the Act, and the information available on record and state that:

- (i) holding of AGM is a vital statutory requirement as it provides opportunity to the members to participate in the discussion and vote on agenda items of the general meeting which includes consideration and approval of the company's financial statements;



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- (ii) non-holding of AGM deprives the members of their fundamental and statutory right, to know about the affairs of the company and participate in decision making;
- (iii) AGMs provide transparency and accountability to shareholders and ensure that the company is operating in the best interests of its shareholders, thus all companies must adhere to the law by following the procedure prescribed under the Act for holding of AGMs;
- (iv) the Respondent cannot absolve itself from its statutory duties pertaining to holding of AGMs, preparation and filing of annual and quarterly financial statements in a timely manner as specified under the law;
- (v) the Respondent failed to convene its AGM for FY ended June 30, 2022 within the specified time period of one hundred and twenty (120) days from the close of its said FY;
- (vi) review of the Company's record, transpires that the Respondent has failed to hold the said AGM till the date of this Order; and
- (vii) despite providing five (05) hearing opportunities of personal representation, no one appeared on behalf of the Respondent, which constrains me to conclude the proceedings on *ex-parte* basis.

9. In view of the preceding facts, I am of the considered view that by not holding its AGM for the year ended June 30, 2022 within the time period as stipulated under sub-section (1) of Section 132 of the Act, the Company has contravened the said provisions of the Act, which renders it liable to penal action under sub-section (5) of Section 132 thereof.

Therefore, in the exercise of powers conferred under sub-section (5) of Section 132 of the Act, I hereby impose a penalty of Rs. 157,500/- (Rupees One Hundred Fifty-Seven Thousand, Five Hundred only) on Huffaz Seamless Pipe Industries Limited.

10. The aforementioned penalty must be deposited in the designated bank account maintained with MCB Bank Limited in the name of the **Securities and Exchange Commission of Pakistan within thirty (30) days from the receipt of this Order**, and receipted bank vouchers must be furnished to the Commission. In case of non-deposit of the penalty, proceedings under Section 485 of the Act will be initiated for recovery of the same as arrears of land revenue.

11. Nothing in this Order may be deemed to prejudice the operation of any provisions of the Act providing for imposition of penalties on the Respondent in respect of any default, omission or violation thereof.

SHAHZAD AFZAL KHAN
Director/Head of Department
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Announced:
June 16, 2023
Islamabad