

Before Amir M. Khan Afridi, Director/Head of Department

In the Matter of Show Cause Notice issued to K-Electric Limited

Dates of Hearing:

June 20, 2019, August 26, 2020 & August 11,
2021

Order-Redacted Version

Order dated April 26, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of K-Electric Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated April 5, 2019
2. Name of Company	K-Electric 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 Section 147 and 148 of the Companies Act, 2017 (the Act) read with Section 479 thereof.</p> <p>Respondents failed to convene its Annual General Meeting (the AGM) for the financial year ended June 30, 2017 within a period of one hundred and twenty days of the close of its financial year contrary to the requirements of sub-section (1) of Section 132 of the Act.</p> <p>The Commission under Section 147 of the Act directed the Respondent vide letter dated April 25, 2018 (the Directive) to convene its past due AGM within three months of the said directive i.e. by July 25, 2018. The Respondent was reminded vide letters dated June 25, 2018 and July 9, 2018 to hold the AGM by the date as specified in the Directive and lay therein annual audited financials for the financial year ended June 30, 2017. However, the Respondent failed to hold the AGM which was contravention of Section 147 of the Act.</p>
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have analyzed the facts of the case, relevant provisions of the Act, and the arguments set forth by the Respondent over the course of the hearing. The aforementioned provisions of law are unambiguous and explicit. A company is required to hold its AGM within a period of one hundred and twenty days from the close of its financial year, and in case a default is made in holding of the same in accordance with the law, the company must hold its AGM in conformity to the direction of the Commission. Holding of AGMs is a vital statutory requirement as it provides opportunity to the members to participate in the discussion and vote on important corporate decisions in AGM. The AGM is a forum where Members can discuss performance of the Company and at the same time, management can present its stewardship of resources entrusted to it. In order to ensure transparency and to protect the shareholders' rights, all</p>

	<p>companies must meticulously adhere to the law by following the procedure prescribed under the statute for holding the AGMs.</p> <p>Moreover, the Respondent also has fiduciary responsibilities towards its shareholders, hence liable to a higher level of accountability, which requires it to be vigilant and perform its duties with utmost care and prudence. In this context, 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.</p> <p>Keeping in view the above, it has been observed that the Company has convened and held the overdue AGM for FY 2017 on July 30, 2019 before the deadline set by the Commission through the aforesaid directive dated June 21, 2019, therefore, I hereby conclude the proceedings without imposing penalty on the Respondent. I, however, remind the Respondent of its fiduciary duties and responsibilities towards all stakeholders, advising it ensure that such mechanisms are in place and appropriate actions be taken whereby holding of AGM and financial and operational reporting of the Company are timely achieved, whilst ensuring due compliance of the law.</p>
6. Penalty Imposed	No penalty imposed on the Company.
7. Current Status of Order	No Appeal has been filed by the Company.

Redacted version issued for placement on website of the Commission.