



# 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 Bawany Air Products Limited**

Dates of Hearings

December 10, 2021, January 4, 2022, and  
February 14, 2022

## **Order-Redacted Version**

Order dated April 29, 2022 was passed by Head of Department (Adjudication-I) in the matter of Bawany Air Products Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated October 28, 2021
2. Name of Company	Bawany Air Products Limited
3. Name of Individual*	The proceedings were initiated against the Company including boards of directors
4. Nature of Offence	<p>Proceedings were initiated in terms of the section 166, section 169 and section 479 of the Companies Act, 2017</p> <p>Brief facts of the case are that on review of the annual audited financial statements of the Company for the Financial Year ended June 30, 2020 (FY2020) and relevant statement of compliance with the CCG Regulations (SoC), it was observed that the Company in its election of directors held on November 27, 2019 appointed only one independent director.</p> <p>It was also transpired that name of *** was not available in the data bank of the individuals maintained by the Pakistan Institute of Corporate Governance (PICG) for appointing them as independent directors. In terms of the Companies (Manner and Selection of Independent Directors) Regulations, 2018 as notified by the Commission through SRO 556(I) of 2018 dated April 26, 2018 the said data bank which was operational since July 2018 was in place and was applicable. By not appointing the independent director from the said data bank, and by not having at least two independent directors on its Board, the Company, <i>prima facie</i>, has contravened Section 166(1) of the Act and regulation 6(1) of the CCG Regulations. Hence, proceedings were initiated through the</p>



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	<p>SCN requiring the Respondents to show cause within fourteen (14) days as to why penalty may not be imposed on them for contravening the aforesaid provisions of the Act and of the CCG Regulations.</p>
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have reviewed the facts of the case, submissions made in writing as well as during the hearing proceedings and observed that it is mandatory for the Company to select independent directors from data bank maintained by PICG. The Respondents are of the view that two of its directors namely *** and *** may be treated as independent directors as they had no relationship with the Company or with other directors and eligible to act as independent directors. In this regard, it is stated that any person who is eligible in terms of Section 166(2) of the Act to become as independent director must be registered with the data bank of PICG as required under Section 166(1) of the Act. In the instant proceedings, it was noted that the Company in its election of directors held on November 27, 2019 elected only one independent director namely ***, and he was not registered/ enrolled in the data bank of PICG. Moreover, the Company at the time of its aforesaid election of directors, did not appoint, at least two independent directors contrary to the requirements of regulation 6 of the CCG Regulations. During the course of the proceedings, it was informed that *** was appointed as independent director in place of ***, however, evidence of enrolling Mr. Muhammad Danish in the data bank maintained by PICG was not furnished.</p> <p>Keeping in view the facts that at the time of election of directors, the Company failed to appoint at least two independent directors from PICG's data bank, contrary to the requirements of Section 166(1) of the Act read with regulation 6 of the CCG Regulations, which attracts applicability of Section 169 of the Act read with regulation 37 of the CCG Regulations and Section 512(2) of the Act. Hence, I am of the view that stance taken for non-compliances with the aforesaid requirements of Section 166(1) of the Act and regulation 6 of the CCG Regulations is not acceptable and default in this regard persisted. I, therefore, in terms of the powers conferred under Section 169 of the Act read with regulation 37 of the CCG Regulation and Section 512(2) of the Act, hereby, impose penalty of <b>Rs.50,000/- (Rupees Fifty Thousand only)</b> on the Respondent Company and warn other Respondents to be careful in future.</p> <p>It is hereby directed to deposit the aforesaid amount of penalties in the designated bank account maintained in the name of the Commission with MCB Bank Limited within thirty (30) days of the</p>



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	<p>date of this Order and furnish receipted bank challan, evidencing payment of the same, to the Commission forthwith. In case of failure to deposit the penalties, the proceedings under Section 485 of the Act will be initiated for recovery of the fines as arrears of land revenue.</p> <p>Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for imposition of penalties in respect of any default, omission, violation of the Act.</p> <p>Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for imposition of penalties in respect of any default, omission, violation of the Act.</p>
6. Penalty Imposed	<b>Rs.50,000/- (Rupees Fifty Thousand only)</b>
7. Current Status of Order	No Appeal was filed.