



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

Before Shahzad Afzal Khan - Director/ Head of Department

In the Matter of

Dost Steels Limited

Number and Date of SCN: CSD/ARN/434/2017-232 dated July 21, 2023

Dates of Hearing: September 05, 2023

Present: Mr. Jamal Iftakhar - CEO
Mr. Shafqat Ali - Consultant
Mr. Shahid Ali - Company Secretary

ORDER

Under Regulation 6 of the of the Listed Companies (Code of Corporate Governance) Regulation, 2019 read with Section 166 (1) of the Companies Act, 2017 and Sections 169 and Section 512 thereof

This Order shall dispose of the proceedings initiated against the board of directors (collectively referred to as the "Respondents") of Dost Steels Limited (the "Company") through Show Cause Notice (the "SCN") dated July 21, 2023 issued under Regulation 6 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the "Regulations") read with Section 166 of the Companies Act, 2017 (the "Act") and Sections 169 and 512 thereof.

2. Brief facts of the case are that the Company appointed only two independent directors on its board instead of three. Moreover, independent directors, namely Shahab Mehboob Vohra and Mian Abuzar Shad were not selected from the independent directors' databank maintained by Pakistan Institute of Corporate Governance (the "PICG"), an institute notified by the Securities and Exchange Commission of Pakistan (the "Commission"), at the time of their appointment.

3. In view of the aforesaid, it is transpired that the Company has only two independent directors on the board of the Company which is *prima facie*, contrary to the requirements of regulation 6 (1) of the Regulations. Moreover, independent directors, namely Shahab Mehboob Vohra and Mian Abuzar Shad were not selected from the independent directors' databank maintained by PICG, contrary to the requirements of Section 166(1) of the Act.

4. The Commission vide letter dated April 4, 2023 had sought comments from the Company with regard to the aforementioned non-compliances, in reply to which the company vide its letter dated April 27, 2023 submitted that:



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"As described in the director report published with said audited Financial statements that due to the financial crises faced by the company resulting in default on the Company's obligations towards lending financial institutions in the aftermath of the suspension of its commercial operation in 2019, the persons eligible for independent directors are reluctant to join the Company's board of directors. However, in the current election of Directors in October 2022, the number of independent directors has been increased to two as mentioned below. Both these independent directors' names were included in the list of PICG subsequent to their appointment:

Sr.	Name of Independent Director	Date of Appointment	CNIC No.	At the time of Appointment - Selected from the PICG's databank (Yes/ No)
1.	Shahab Mahboob Vora	27/10/2022	42301-6370367-1	No
2.	Mian Abuzar Shad	27/10/2022	35202-2532223-9	No

The above-named directors were registered with PICG's databank subsequently."

5. In order to take cognizance of the aforesaid non-compliances, SCN was served on the Respondents for the aforesaid contraventions. In response to the SCN, the Company, vide letter dated August 03, 2023 submitted written response and relevant extracts thereof are provided hereunder:

- Despite best efforts of the company, only two directors were elected as independent directors mainly due to the financial crises being faced by the Company.
- Furthermore, the elected independent directors of the company subsequently registered themselves in the databank of PICG.

6. In order to provide an opportunity of personal representation, hearing in the matter was then fixed for September 05, 2023, wherein Mr. Jamal Iftakhar, Mr. Shafqat Ali and Mr. Shahid Ali, appeared before the undersigned on behalf of the Respondents as their Authorized Representatives (the "Representatives") and reiterated the following submissions:

- The Company has been facing financial difficulties over a period of time and hasn't been able to appoint the required number of independent directors in compliance of the law.
- The company is always positive towards compliance of law and therefore assures to comply the law and appoint the independent directors.

7. Relevant legal provisions are reproduced as hereunder:

Regulation 6 of Listed Companies (Code of Corporate Governance) Regulations, 2019:

"6. Independent Director.- (1) It is mandatory that each listed company shall have at least two or one third members of the Board, whichever is higher, as independent directors.



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Explanation. – For the purposes of this sub-regulation, a listed company shall explain the reasons, in the compliance report, if any fraction contained in such one-third number which is not rounded up as one.”

Section 166 (1) of the Companies Act, 2017:

“166. Manner of selection of independent directors and maintenance of databank of independent directors. (1) – An independent director to be appointed under any law, rules, regulations or code, shall be selected from a data bank containing names, addresses and qualifications of persons who are eligible and willing to act as independent directors, maintained by any institute, body or association, as may be notified by the Commission, having expertise in creation and maintenance of such data bank and post on their website for the use by the company making the appointment of such directors;”

Section 169 of the Companies Act, 2017:

“Whoever contravenes or fails to comply with any of the provisions of section 154 to 168 or is a party to the contravention of the said provisions shall be liable to a penalty of level 2 on the standard scale and may also be debarred by the authority which imposes the penalty from becoming or continuing a director for a period not exceeding three years.”

Section 512 of the Companies Act, 2017 and Regulation 37 of Listed Companies (Code of Corporate Governance) Regulations, 2019:

*“512. Power to make regulations.-
(1)...*

(2) Any regulation made under sub-section (1) may provide that a contravention thereof shall be punishable with a penalty which may extend to five million rupees and, where the contravention is a continuing one, with a further penalty which may extend to one hundred thousand rupees for every day after the first during which such contravention continues.”

“37. Penalty.- Whoever fails or refused to comply with, or contravenes regulation 3, 6, 7, 8, 27, 32, 33 and 36 of these Regulations, shall be punishable with penalty as provided under sub-section (2) of section 512 of the Act.”

8. I have gone through the facts of the case, considered the written submissions made and the arguments extended during the hearing and observed that the non-compliance of regulation 6 of the Regulations and Section 166 of the Act is admitted by the Respondents and, therefore, is liable to be penalized under Section 512(2) of the Act read with regulation 37 of the Regulations.

9. In view of the above, I, in exercise the powers conferred under Section 512(2) of the Act read with regulation 37 of the Regulations, hereby conclude the proceedings initiated against



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the Respondents through the SCN by imposing an aggregate penalty of **Rs. 90,000/- Rupees Ninety Thousand Only** on the Respondents in the following manner:

Sr. #	Name of the Respondents	Penalty (Rs.) for violation of regulation 6 of the Regulations read with Section 166 (1) of the Act
1.	Mr. Jamal Iftakhar	10,000
2.	Mr. Zahid Iftakhar	10,000
3.	Mr. Shahab Mahboob Vora	10,000
4.	Mrs. Mona Zahid	10,000
5.	Mr. Saad Zahid	10,000
6.	Mr. Mustafa Jamal Iftakhar	10,000
7.	Mr. Bilal Jamal Iftakhar	10,000
8.	Mr. Asim Jilani	10,000
9.	Mr. Muhammad Shakeel	10,000
	Total:	90,000

10. The Respondents are hereby, directed to deposit the aforesaid amount of penalty in the designated bank account maintained in the name of the Securities and Exchange Commission of Pakistan with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and to furnish a receipted bank challan to the Commission for information and record. In case of failure to deposit the penalty, the proceedings under Section 485 of the Act will be initiated for recovery of the fines 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 Respondents in respect of any default, omission or violation thereof.

Shahzad Afzal Khan
Director/ HOD
Adjudication Department-I

Announced:
September 12, 2023
Islamabad