



# Securities and Exchange Commission of Pakistan

## Adjudication Division Adjudication Department

### Before

### Abid Hussain, ED/HOD (Adjudication-I)

### In the matter of Show Cause Notice issued to Burshane LPG (Pakistan) Limited

Date of Hearing

June 01, 2021, July 06, 2021, August 16, 2021, September 10, 2021, November 23, 2021, January 13, 2022, February 01, 2022, March 02, 2022, September 05, 2022, September 15, 2022, and September 23, 2022

Order dated October 11, 2022 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Burshane LPG (Pakistan) Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated April 20, 2021
2. Name of Company	Burshane LPG (Pakistan) Limited
3. Name of Individual*	The proceedings were initiated against the CEO of the Company.
4. Nature of Offence	Under Section 204 of the Companies Act, 2017 read with Section 479 thereof
5. Action Taken	<p>Key findings were reported in following manner:</p> <p>I have reviewed the facts the case and considered both the written submissions and verbal arguments made by the Representative, in light of the aforementioned applicable legal provisions and observed that:</p> <p>(i) The record available with the Commission reveals that the Respondent, acquired 85 % shareholding in RIBL and appointed as director of RIBL on June 3, 2019;</p> <p>(ii) During the year ended June 30, 2019; out of Rs 132.920 million, the Company extended Rs 20.520 million on or after June 03, 2019. While during the year ended June 30, 2020, amount of Rs 63.40 million was extended to RIBL. Therefore, cumulative amount of Rs 83.920 million was extended as advance /loan to RIBL on or after June 3, 2019. The Respondent failed to provide evidence that he has disclosed his interest to the directors as he was also director of RIBL w.e.f. June 03. 2019;</p>



# Securities and Exchange Commission of Pakistan

## Adjudication Division

### Adjudication Department-I

(iii) The stance that markup was charged on both investments is not maintainable as the Respondent did not justify the fact that the rate of markup charged by the company is equal to or more than the its borrowing cost. The Respondent should have disclosed to the board of the Company (the Board) his interest in the transactions and restrained from participation in the proceedings on the agenda item pertaining to consideration and/ or approval of the advances/ loan to RIBT as he had direct interest in RIBL being the major shareholder and director on the board of RIBL;

(iv) As per the requirements of law, the Respondent was required to refrain from participation in the BOD meeting as such transaction lead to possible generation of gain or advantage to him;

(v) The Authorized Representative during the hearing proceedings also argued that these transactions did not result in any loss; damage to the Company and its shareholders; thus it does not involve any *mens rea* on the part of the Respondent. The said argument of the Authorized Representative is not plausible, owing to the facts that the aggregate investment of Rs 197 million was made in RIBS, in tranches. It is noted that the investment in RIBS was started from April 23, 2019 and up to May 30, 2019 total investment of Rs 112.938 million was made. All these investments were made without any board approval. Besides, record available with the Commission shows that no interest was charged on these investments during the year ended June 30, 2019. Thereafter, the Company during the month of June 2019 made further investment of Rs. 20.521 million, despite the fact that CEO of the Company became the major shareholder in RIBS and both the companies become associated on June 03, 2019. Subsequently, the Company made additional investment of Rs. 63.400 million in RIBS and the said investment was made neither with the approval of board nor the shareholders of the Company. This clearly indicates *mala fide* intent on part of the CEO of the Company who despite knowing the fact that these investments required board approval as well as shareholders' approval after June 03, 2019 kept on making investment of the funds of the company in RIBS;

(vi) I have checked the legal record and have observed that no restraining order in Constitution Petitions bearing No. 1257 of 2022 and 1286 of 2022 has been passed by the Honorable Sindh High Court, therefore the case can be decided on merits; and

(vii) Therefore, I am of the view that the Respondent's involvement in these transactions was conflicted since he had direct interest in RIBL being the major shareholders and directors of RIBL utilizing the funds of the company after June 03, 2019. He was required to disclose any such interest



**Securities and Exchange Commission of Pakistan**  
**Adjudication Division**  
**Adjudication Department-I**

	<p>and abstain himself for taking any decision to extend loan to RIBL. The Respondent should have not made any such transaction that may generate undue gain or advantage to him. Hence, the Respondent was under statutory obligation to comply with provisions of Section 204 of the Act, by not involving in these transactions since he had a conflict of interest viz a viz with the interest of the company.</p> <p>Keeping in view of the above facts, I am of the considered view that provisions of Section 204 of the Act are violated hence, in terms of the powers conferred under Section 204(9) and Section 479 of the Act, penalty of Rs. 20,000/- (Rupees twenty thousand only) is imposed on the Respondent.</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	A Penalty of Rs. 20,000/- (Rupees One hundred thousand only) was imposed on the Respondent.
7. Current Status of Order	No appeal has been filed by the respondents.