



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I Adjudication Division

Before Amir Saleem – Additional Director/Head of Wing

In the Matter of

Agro Allianz Limited

Number and Date of SCN: CSD/ARN/228/2015-286 dated August 26, 2022

Dates of Hearing: October 18, 2022, November 7, 2022 & November 18, 2022

Present: NONE

ORDER

UNDER SECTION 237 READ WITH SECTION 479 OF THE COMPANIES ACT, 2017

This Order shall dispose of the proceedings initiated against the following directors including the chief executive and chief financial officer (collectively referred to as the "Respondents") of Agro Allianz Limited (the "Company") initiated through Show Cause Notice (the "SCN") dated August 26, 2022 issued under the provisions of Section 237 read with Section 479 of the Companies Act, 2017 (the "Act"):

S.No.	Name of Respondent
1	Mr. Muhammad Zain Sardar - Chairman
2	Sheikh Ali Baakza - Chief Executive
3	Mr. Abdul Hafeez - Director
4	Mr. Muhammad Saleem Patel - Director
5	Mr. Shah Amin-ul-Haq - Director
6	Ms. Sara Bashir - Director
7	Mr. Safdar Sajjad - Director
8	Mr. Muhammad Khurram - CFO

2. Brief facts of the case are that the Company failed to electronically its interim financial statements for the following periods with the Commission within the stipulated time pursuant to Section 237 of the Act read with Circular No. 24 of 2017 (the "Circular"):

S.No.	Period ended	Filing due on
1	December 31, 2021	March 1, 2022
2	March 31, 2022	April 30, 2022

3. The directors, chief executive and chief financial officer of the Company have, *prima facie*, contravened the provisions of Section 237 of the Act by failing to electronically transmit the aforementioned periodic financial statements with the Commission within the stipulated time.

4. Consequently, the SCN was issued to the Respondents to show cause in writing as to why penal action may not be taken against them for non-compliance of Section 237 of the Act.



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5. The Company failed to submit a written response to the SCN, hence hearing opportunities were provided for October 18, 2022 and later November 7, 2022, however, the Respondents failed to appear in person or through an authorized representative to present their case.

Nonetheless, in order to provide a final opportunity to the Respondents to present their case, hearing was re-scheduled for November 18, 2022 wherein it was explicitly stated that in case Respondents fail to appear in person or through their authorized representative, the Commission will proceed to issue an *ex-parte* Order on the basis of material available on record.

6. The Company through its letter dated November 16, 2022 submitted that:

"This is with reference to your letter dated November 11, 2022. We would like to draw your attention to our request for allowed further time to successfully negotiate and conclude all pending matters.

Shareholders' matters have been disclosed in the audited financials of FY19. The same matters are in progress. The new management is working with the sponsor shareholder groups to resolve amicably the outstanding matters relating to purchase of land.

The resolution of this matter has taken extended amount of time due to certain unavoidable circumstances. Accordingly, the new management representing one shareholder group, is still negotiating with the other shareholder group for resolution of pending matters regarding transfer of accounting and other records.

Management is committed to completing all regulatory formalities. Due to suspension of company operations and no involvement of public or creditors' funds, the resolution of subject matter lies between two sponsor shareholder groups.

It is reasonably expected that shareholders' matters will be resolved, and agreement will be reached within few weeks. Therefore, the authority is requested to allow the management to revert with suggested timeline for compliance by Dec 31, 2022.

Therefore, the authority is requested to allow further time to successfully negotiate the pending matter and for compliance."

7. The Respondents failed to appear in person or through a representative despite provision of three (03) hearing opportunities, hence, I am constrained to conclude the proceedings based on the information available on record.

8. Before proceeding further, it is necessary to advert to the relevant provisions of the law:

Sub-section (1) of Section 237 of the Act read with the Commission's Circular No. 24 dated October 19, 2017 entails:

1) Every listed company shall prepare quarterly financial statements within a period of :-

a) thirty days from the close of first and third quarters of its year of accounts; and

b) sixty days from the close of its second quarter of its year of accounts.



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2) *The quarterly financial statements shall be posted on the company's website for the information of its members and also be transmitted electronically to the Commission, securities exchange and with the registrar within the period specified under sub-section (1).*

Sub-section (4) of Section 237 read with Section 479 of the Act stipulates that:

If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief financial officer of the company who has by his act or omission been the cause of such default shall be liable to a penalty of level 2 on the standard scale.

9. As regards the matter at hand, I have analyzed the facts of the case, relevant provisions of the Act, and record available with the Commission. The aforementioned provisions of the law are unambiguous and explicit. The fact that timing of interim financial statements is of essence, the disclosure requirements of these accounts have been kept to a bare minimum. Interim financial statements prepared accurately and in a timely manner provide to its users a reliable source of information regarding a Company's financial position and performance, besides illustrating the results of the management's stewardship of resources entrusted on to it.

In order to ensure transparency, all companies must meticulously adhere to the law for preparation and circulation of interim financial statements. Moreover, the Respondents have fiduciary duties towards the Company and its shareholders while providing information to various stakeholders concerning their performance as to how diligently and ethically they are discharging their fiduciary duties and responsibilities. The Respondents including the CEO and CFO are obliged to ensure that such mechanisms are in place, and appropriate actions be taken whereby financial reporting of the company is timely achieved, whilst ensuring due compliance of the law.

10. It is pertinent to note that the preparation and circulation of quarterly accounts rests with the Respondents including the CEO and CFO of the Company who are required to take appropriate action within the time stipulated under the law.

In this context, perusal of Company records reveals that the Respondents failed to electronically transmit the Company's interim financial statements for the periods ended December 31, 2021 and March 31, 2022 pursuant to the Circular. Likewise, there is no record of any filing of the subject financials with the Commission, and the same are not accessible on the PSX or the Company website, hence in contravention of Section 237 of the Act read with the Circular. The Company's poor compliance history with regard to filing of quarterly accounts, corroborated by current defaults, is evident of the fact that its directors, chief executive and chief financial officer are not making any genuine efforts to adhere to the legal framework.

11. In view of the preceding facts, I have come to the conclusion that the pertinent provisions of the statute have been violated which renders Respondents liable to penal action in terms of Section 237 of the Act as a result of failing to electronically transmit the Company's interim financial statements for the periods ended December 31, 2021 and March 31, 2022 with the Commission within the statutory timeframes.

Therefore, in exercise of powers conferred under sub-section (4) of Section 237 of the Act, I hereby impose penalties of Rs. 10,000/- apiece on the Respondents for each of the aforementioned default periods as follows:



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S.No.	Name of Respondent	Amount in Rupees
1	Mr. Muhammad Zain Sardar - Chairman	20,000
2	Sheikh Ali Baakza - Chief Executive	20,000
3	Mr. Abdul Hafeez - Director	20,000
4	Mr. Muhammad Saleem Patel - Director	20,000
5	Mr. Shah Amin-ul-Haq - Director	20,000
6	Ms. Sara Bashir - Director	20,000
7	Mr. Safdar Sajjad - Director	20,000
8	Mr. Muhammad Khurram - CFO	20,000
TOTAL		160,000

12. The aforementioned penalties 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 penalties, proceedings for recovery under Section 485 of the Act as arrears of land revenue will be initiated. It may also be noted that the penalties have been imposed on Respondents in their personal capacity; therefore, they are required to pay the said amount from personal resources.

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

AMIR SALEEM
Additional Director/ Head of Wing
Listed Companies, Adjudication Department - I

Announced:
December 27, 2022
Islamabad