



Securities and Exchange Commission of Pakistan

BEFORE APPELLATE BENCH

In the matter of

Appeal No. 117 of 2022

Vital Flour Mills (Private) Limited

Appellant

versus

Director, Adjudication Department-II, SECP

Respondent

Date of hearing:

April 15, 2026

Present:

For the Appellant:

Zahur Ahmad

For the Respondent:

1. Mr. Hammad Javed, (Additional Director/HOD, Adjudication – II), SECP
2. Mr. Sanaullah Jatoi, Deputy Director, Adjudication – II, SECP

ORDER

1. This Appeal has been filed against Order No. Adj-11/250/237/IAN-525/2022 dated August 15, 2022 (“Impugned Order”) passed by the Director (Adjudication Department-II), whereby a penalty of Rs.100,000/- was imposed upon M/s. Vital Flour Mills (Pvt.) Limited (the “Appellant”) under Regulation 7 of the Companies (Maintenance and Audit of Cost Accounts) Regulations, 2020 (the “Regulations”) read with Section 512(2) of the



Securities and Exchange Commission of Pakistan

Companies Act, 2017 (“Act”) for alleged non-compliance with Regulations 4 and 5 of the Regulations relating to appointment of cost auditor, filing of intimation regarding such appointment with the Respondent, and audit of cost accounts.

2. The brief facts of the case are that Appellant is a private limited company engaged in the business of flour milling. In terms of Section 220(1) of the Act read with Regulations 3 and 6 of the Regulations, the Appellant was required to maintain proper cost accounting records. Furthermore, under Regulations 4 and 5, the Appellant was required to appoint a cost auditor within the prescribed time, intimate such appointment to the Respondent, and have its cost accounts audited. Examination of the Appellant’s record by the Respondent revealed that no intimation regarding appointment of cost auditor for the financial year ended June 30, 2021 had been submitted. It was also observed, *prima facie*, that the Appellant had failed to have its cost accounts audited and had not maintained requisite cost accounting records in accordance with the applicable legal framework.
3. Consequently, a Show-Cause Notice dated March 30, 2022 (the “SCN”) was issued to the Appellant. In response, the Appellant sought multiple adjournments on the grounds of unavailability of directors and incomplete documentation. Despite being afforded several opportunities, including a final hearing fixed on July 15, 2022, no representative appeared on behalf of the Appellant. In view of the continued non-compliance and failure to appear for the hearings, the Respondent concluded that the Appellant had violated Regulations 4 and 5 of the Regulations. Accordingly, through the Impugned Order, a penalty of Rs. 100,000/- was imposed upon the Appellant.
4. The Appellant challenged the Impugned Order and submitted that they have generally remained compliant with the applicable provisions of the Act and all other corporate laws administered by the Securities and Exchange Commission of Pakistan. It was argued that the alleged default occurred during the first year of enforcement of the Regulations, due to lack of awareness and practical difficulties faced by the relevant staff in maintaining cost accounting records in the prescribed manner and in appointing a cost auditor within the stipulated period. It was further submitted by the Appellant that the default was neither deliberate nor willful and occurred due to circumstances beyond the control of the management, including the engagement of directors in the internal affairs of the Appellant.



MMA



Securities and Exchange Commission of Pakistan

5. The Appellant further contended that they had remained in correspondence with the Respondent during the adjudication proceedings and repeatedly sought time to regularize the compliance requirements. It was submitted that the Appellant had already initiated the process for appointment of a cost auditor and for maintaining the requisite cost accounting records in accordance with section 220 of the Companies Act, 2017 read with the Regulations. The Appellant also argued that the Impugned Order was passed *ex parte* without hearing any representative of the Appellant and that the penalty imposed was harsh and disproportionate in the facts and circumstances of the case. Accordingly, it was prayed that the penalty imposed through the Impugned Order may be reduced in the interest of justice.
6. The Respondent supported the findings recorded in the Impugned Order and submitted that the Appellant had admittedly failed to appoint a cost auditor within the prescribed timeframe and had also failed to intimate such appointment to the Respondent as required under Regulations 4 and 5 of the Regulations. It was contended that the Appellant themselves conceded before the Respondent that appointment of the cost auditor could not be made within the stipulated time and that the process for such appointment was still underway. The Respondent further submitted that the Appellant was required to appoint the cost auditor within ninety days from notification of the Regulations and to intimate such appointment to the Respondent within fourteen days thereof; however, no such intimation was received till passing of the Impugned Order.
7. The Respondent further argued that sufficient opportunities were afforded to the Appellant during the adjudication proceedings to explain its position and regularize the default. In this regard, the Respondent referred to various adjournment requests made by the Appellant through letters dated April 6, 2022, May 25, 2022, June 28, 2022, July 14, 2022 and August 10, 2022. It was submitted that despite repeated opportunities and considerable delay, the Appellant neither appeared before the Respondent on the scheduled hearing date nor brought itself into compliance with the statutory requirements. The Respondent contended that the Impugned Order was passed after due consideration of the material available on record and that the penalty imposed was already lenient in nature considering the maximum penalty prescribed under Regulation 7 read with Section 512 of the Companies Act, 2017. Accordingly, it was prayed that the Appeal be dismissed and the Impugned Order be upheld in its entirety.



Securities and Exchange Commission of Pakistan

8. Upon examination of the record and the submissions made by the parties, the Appellate Bench (the "Bench") observes that the Appellant failed to appoint cost auditor within the prescribed period, failed to intimate such appointment to the Respondent as per requirement and failed to get its cost accounts audited in terms of Regulations 4 and 5 of the Regulations. It was further noted that the Appellant has not been able to displace these findings with sufficient material on record, and the Bench finds no infirmity in the Respondent's conclusion that the Appellant was in contravention of the aforesaid provisions of the Regulations.
9. The Bench further observes that the Appellant was afforded sufficient opportunities during the adjudication proceedings to explain its position and regularize the default. The record reflects that after issuance of the SCN, the Appellant repeatedly sought adjournments through various letters on the ground of inability to compile the requisite information due to internal engagements of its directors and that the Respondent accommodated such requests and granted considerable time to the Appellant for compliance. Thereafter, a final opportunity of hearing was provided vide notice dated July 6, 2022, whereby the Appellant was clearly informed that the matter would proceed accordingly. However, despite such opportunity, no one appeared on behalf of the Appellant on the date fixed for hearing. In these circumstances, the Bench is satisfied that adequate opportunity of hearing was afforded to the Appellant and the proceedings before the Respondent cannot be termed violative of the principles of natural justice merely because the Impugned Order was passed *ex parte*.
10. The Bench, however, takes into account that the violations pertain to the financial year ended June 30, 2021, which was the first year of implementation of the Regulations. The Appellant has attributed the deficiencies to practical difficulties faced in understanding and implementing the newly introduced compliance requirements, including maintenance of cost accounting records and appointment of cost auditor within the prescribed timelines. While such factors do not absolve the Appellant from its statutory obligations under the Regulations, the record reflects that the Appellant remained in correspondence with the Respondent during the adjudication proceedings and sought time for making compliance with the statutory requirements. The Bench further notes that subsequent compliance with the applicable requirements was eventually undertaken by the Appellant, which also

MMA



Securities and Exchange Commission of Pakistan

constitutes a mitigating factor in the facts and circumstances of the case. The Bench also notes that the Respondent itself considered the said mitigating circumstances while imposing only a token penalty instead of the maximum penalty prescribed under the law.

11. In view of the foregoing, and noting that the violations relate to the first year of applicability of the Regulations, the Bench is of the view that while the findings of contravention are to be upheld, the mitigating factors warrant consideration in determining the quantum of penalty. Accordingly, the penalty imposed through the Impugned Order is reduced to Rs. 50,000/-, and the Appeal is disposed of in the above terms with no order as to costs.
12. Any person or party aggrieved by this Order may, within sixty (60) days from the date hereof, prefer an appeal under Section 34 of the Securities and Exchange Commission of Pakistan Act, 1997 before the competent forum, strictly in accordance with law.

(Imtiaz Haider)

Commissioner

(Muhammad Ali Farid Khwaja)

Commissioner

Announced on: **13 MAY 2026**