



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 35 of 2019

M/s. Security Leasing Corporation Private Limited

...Appellant

versus

Commissioner (Specialized Company Division)

...Respondent

Date of hearing:

August 22, 2024

Present:

For the Appellant:

Mr. Javed Haleem, Advocate

For the Respondents:

1. Mr. Rizwan Ul Haq Additional Joint Director, Adjudication-I, SECP
2. Mr. Hammad Ahmed, Management Executive, Adjudication-I, SECP

ORDER

1. This Order shall dispose of Appeal No. 35 of 2019 filed by Security Leasing Corporation (Private) Limited (the "Appellant") under section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 (the "SECP Act") against the Order dated April 17, 2019 (the "Impugned Order").
2. The brief facts of the case are that the Appellant is a listed non-banking finance company licensed by the Securities and Exchange Commission of Pakistan (SECP). The Appellant's license for leasing activities expired in 2009 and was not renewed due to non-compliance with the 'Minimum Equity Requirements' (MER); violations of Rule 7(3) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules); and Regulation 4 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). Consequently, a Show-Cause Notice dated December 28, 2017 (the "SCN"), was issued to the Appellant under



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Section 282J (1)(2)(3) of the Companies Ordinance, 1984. The Appellant submitted its written reply on January 12, 2018, and a hearing was scheduled for March 15, 2018. An interim order dated March 21, 2018 (the "Interim Order"), indicated that the Appellant's request for additional time to comply with the MER would be considered after a review of its quarterly accounts as of March 31, 2018. Following this review, it was determined that the Appellant remained non-compliant. Therefore, a final order dated June 4, 2018 (the "Final Order"), was issued, which stated that while the cancellation of the license and winding-up of the Appellant could be initiated immediately, the Appellant would be given one last opportunity to comply with the MER by June 30, 2018, and to submit a certified equity statement by July 31, 2018. As clearly stated in the order, if the Appellant failed to comply, its license would be deemed expired, and the department would initiate winding-up proceedings. Since the Appellant did not comply with this order, its leasing license was subsequently cancelled by the Impugned Order.

3. The Appellant contended that, as a licensed non-banking finance company, it had consistently adhered to the regulatory requirements set forth by the SECP and that the SCN was addressed promptly, with a comprehensive response of compliance with the MER exceeding Rs. 50 million. The Appellant argued that not according an opportunity of hearing prior to the issuance of the Interim Order constituted a significant procedural oversight, depriving the Appellant of a fair opportunity to present its case. The Appellant also argued that the subsequent financial statements submitted on April 25, 2018 demonstrated a clear commitment to rectifying any deficiencies, and that the Respondent's failure to consider the audit report dated July 31, 2018 further highlighted a lack of due diligence in assessing compliance. Additionally, the Appellant contended that the cancellation of its license through the Impugned Order was unwarranted and executed without proper evaluation of the extensive documentation provided, which substantiated adherence to the MER.
4. In addition to the aforementioned contentions, the Appellant made further assertions in 2024, stating that the COVID-19 pandemic significantly impacted the Company's operations and that the death of the sponsor-shareholder Mr. Nadeem Shafiqullah created a leadership vacuum, complicated by legal issues over the share transfer to his heir, Mr. Waleed Shafiqullah. Despite these setbacks, the Appellant highlighted the Company's progress in settling debts and securing equity. The Appellant further stated that with succession issues resolved and new management in place, the Company was focused on restructuring and MER compliance. The Appellant contended that the Impugned Order would disrupt recovery efforts, causing irreparable financial harm, and thus requested that the Bench remand the case to the Specialized Companies Division for reconsideration and allow the opportunity to present its updated financial position.



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5. In response to the contentions posed by the Appellant, the Respondent submitted that the orders passed, including the Interim Order, and the Final Order, were issued in accordance with the regulatory framework due to the Appellant's persistent non-compliance with the MER. The Respondent contended that the Appellant's leasing license had lapsed in 2009 due to their failure to meet the MER, and despite claims of potential recovery, no concrete actions or new equity injections were undertaken. The Respondent reiterated that, as evidenced by its deteriorating financial performance for the financial year ending June 30, 2016, the Appellant reported an adjusted equity of negative Rs. 250 million after accounting for adverse remarks from its statutory auditors regarding the recognition of deferred tax assets (DTA) amounting to Rs 375 million and by June 30, 2017, the situation worsened, with a reported equity of only Rs. 93 million and an increase in DTA to Rs. 400 million. The Respondent argued that although the Appellant submitted a financial statement on April 25, 2018, indicating a marginal improvement in total assets and a reduction in liabilities, the positive equity of Rs. 97 million as of March 31, 2018, was primarily attributable to the continued recognition of DTA, which remained controversial and unsubstantiated. The Respondent submitted that the statutory auditors' consistent adverse opinions raised significant concerns regarding the Appellant's going concern ability and despite a final opportunity to comply with the MER by June 30, 2018 and reiterated that the Appellant failed to demonstrate any concrete, viable plan for its revival or provide evidence of equity injections, leading to the cancellation of its leasing license. The Respondent emphasized that the authorized Commissioner acted within his powers under section 282J (2) of the Companies Ordinance, 1984 after a thorough examination of the Appellant's performance and compliance status, and contended that the decision could not be deemed unlawful or unwarranted.
6. The Respondent further submitted that during the hearings, the Appellant failed to contest the observations in the Show-Cause Notice and instead sought additional time to comply with the MER and despite being granted opportunities to rectify its financial standing, the Appellant remained non-compliant, culminating in the lawful cancellation of its leasing license. The Respondent argued that the Appellant's operational weaknesses and management failures raised significant doubts about its future viability and, thus, the cancellation of the leasing license was justified.
7. In response to the Appellant's recent submissions, the Respondent emphasized that the Appellant's license was canceled in 2019, while the issues cited—such as COVID-19, the death of the sponsor-shareholder, and the resulting leadership vacuum—emerged only after the cancellation. The Respondent reiterated that these factors were therefore irrelevant to the matter at hand and did not




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excuse the Appellant's prior non-compliance or address ongoing management deficiencies, lack of progress, and failure to implement a credible recovery strategy.

8. The Bench carefully considered the submissions of both parties and thoroughly examined the relevant records and concluded that the Appellant had consistently failed to demonstrate compliance with the MER and did not adequately address the serious concerns regarding its financial viability as highlighted by the Respondent.
9. In light of these findings, given the Appellant's persistent non-compliance and the clear evidence presented, the Bench finds no basis for interfering with the Impugned Order. Consequently, the appeal is hereby dismissed, with no order as to costs.


(Akif Saeed)
Chairman/Commissioner


(Abdul Rehman Warriach)
Commissioner

Announced on:

08 APR 2025