



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of Company:	M/s. Dewan Sugar Mills Limited
Show Cause Notice No. & Date:	CSD/ARN/328/2016-589 dated November 13, 2024
Respondent:	(i) Mr. Ishtiaq Ahmad, Chief Executive; (ii) Mr. Ghazanfar Baber Siddiqui, Director; (iii) Mr. Abdul Basit, Director; (iv) Syed Maqbool Ali, Director; (v) Ms. Nida Jamil, Director; (vi) Mr. Mehmood-ul-Hassan Asghar, Director; and (vii) Mr. Aziz-ul-Haque, Director.
Date(s) of Hearing(s):	February 10, 2025
Case represented by:	(i) Mr. Muhammad Hanif German (<i>Company Secretary</i>) (ii) Mr. S. M. Raza (<i>Director Corporate Affairs and Taxation</i>) (<i>As Authorized Representatives</i>)
Provision of law involved:	Section 250 read with Section 512 of the Companies Act, 2017 and Regulations 4(1), 4(2) and 7 of the Companies (Maintenance and Audit of Cost Accounts) Regulations, 2020
Date of the Order:	April 22, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the "Commission") through Show Cause Notice No. CSD/ARN/328/2016-589 dated November 13, 2024 ("SCN") issued to the members of the Board of Directors of Dewan Sugar Mills Limited (the "Company"), hereinafter collectively referred to as the "Respondents", under Section 250 of the Companies Act, 2017 (the "Act") and Regulations 4(1), 4(2) and 7 of the Companies (Maintenance and Audit of Cost Accounts) Regulations, 2020 (the "Regulations") read with Section 512 of the Act, on account of failure to comply with the provisions of the Regulations.

2. The Commission, pursuant to provision of Section 220 read with Section 250 of the Act, specified detailed framework for maintenance and audit of cost accounts in the form of the Regulations. The Regulation 4(1) of the Regulations requires that the board of directors of every company to appoint its cost auditor for a financial year within one hundred and eighty (180) days of the commencement of financial year. Moreover, Regulation 4(2) of the Regulations requires every company to inform the Commission of such appointment of cost auditor within fourteen (14) days from the date of board meeting in which such appointment of the cost auditor is made.

3. The relevant records of the Commission transpired that in the instant matter the Board of Directors of the Company had failed to appoint Cost Auditors for the year ended September 30, 2024 within the given time period, i.e., by March 28, 2024; whereas the actual appointment was made in its meeting of the Board of Directors held on July 26, 2024 i.e. with a delay of 120 days. Furthermore, the Company informed the Commission of such appointment through a letter dated September 30, 2024 received by the Commission on October 17, 2024, i.e., with a delay of 69 days, contrary to the requirement of Regulation 4(2) of the Regulations. The Company vide its aforesaid letter, *inter alia*, informed that:

"...The Board of Directors of the Company has, on Friday July 26, 2024 resolved the appointment of M/s. UHY Hassan Naeem & CO, Chartered Accountants as the Cost Auditors of the Company for the financial year ended September 30, 2024..."

Handwritten signature and date:
CSD/ARN/328/2016-589
1-1-2025
22-04-2025

...
We inadvertently skipped the filing / appointment of the Cost Auditors of the Company. We sincerely regret the inadvertent omission in the filing...."

4. The subject delays, *prima facie*, resulted in contravention of the relevant requirement of the Regulations attracting penal action under Regulation 7 which provides that any contravention of the Regulations shall be punishable with a penalty as provided in sub-section (2) of Section 512 of the Act; whereas, sub-section (2) of Section 512 of the Act provides 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.

5. Accordingly, SCN was served upon the Respondents to show the cause in writing as to why a penal action may not be taken for non-compliance of the requirements of Regulation 4(1) and 4(2) of the Regulations. In response, the Company vide letter dated November 15, 2024 submitted the following written response:

"We would like to reiterate the reasons already communicated in our earlier correspondence dated October 3, 2024 [therein submitting that due to unforeseen circumstances, operation of our Sugar Mill remained closed throughout the year ended September 30, 2024]. In order to clarify the delay, we submit the following:

Due to unforeseen circumstances, our Sugar Mill was completely inoperative throughout the fiscal year ending September 30, 2024. No sugarcane crushing or sugar production occurred during this period. Consequently, we requested an exemption from the requirement to appoint a Cost Auditor from the Securities & Exchange Commission of Pakistan. However, the exemption was denied as no such provision exists in the law.

In view of above facts, the delay for the submission of appointment of Cost Auditors neither willful nor intentional. We understand the importance of timely compliance with regulatory requirements and assure you that we have taken steps to prevent similar delays in the future. Further we understand that there has been a notable delay in the said submission and sincerely regret the inadvertent omission made in this regard and request your kind authority to please condone the delay in the submission of the same. For future, we assure our exercising due care and timely compliance as per the Companies (Maintenance and Audit of Cost Accounts) Regulations, 2020."

6. In order to provide opportunity of personal representation to the Respondents, hearing in the matter was fixed for February 10, 2024, where, Mr. Muhammad Hanif German (*Company Secretary*) and Mr. S. M. Raza (*Director Corporate Affairs and Taxation*), appeared on behalf of the Respondents as the Authorized Representatives (**the "Authorized Representatives"**), and while admitting the oversight requested for leniency in the matter.


7. I have reviewed the facts of the case and also considered the written and verbal submissions made by the Respondent through the Authorized Representatives. I have also reviewed the relevant provisions of the law, especially the Regulation 4(1) and (2) of the Regulations which are abundantly clear and unambiguous. At this juncture, it is important to discuss the following legal and factual elements arising from the facts of the case:

- (i) It is observed that timely appointment of the cost auditor's and informing such appointment to the Commission within the stipulated timelines are statutory requirements to ensure regulatory oversight and corporate transparency. In the instant matter, for the financial year ended September 30, 2024, the Company was required to appoint its cost auditor by March 28, 2024, but it failed to do so within the prescribed timelines; thereby violating Regulation 4(1) of the Regulations. This non-compliance undermined the timely execution of the cost audit process, impacting regulatory oversight and corporate accountability.

Handwritten signature and date: 22-04-2025

- (ii) Furthermore, under Regulation 4(2) of the Regulations, the Company was required to inform the Commission of the appointment of a cost auditor within fourteen (14) days of the board meeting in which the appointment was made. This requirement is critical in maintaining regulatory compliance, allowing the Commission to monitor adherence to cost audit obligations. The Company again failed to achieve compliance within the regulatory time limits.
- (iii) It is further observed that Company's request for grant of exemption from the subject requirements, vide its letter dated October 3, 2024, was also denied by the Commission vide its letter dated October 10, 2024 on ground that the Act does not envisage any such exemption. Eventually, the Company appointed the Cost Auditors and informed the Commission in respect of the same but with a delay 120 days and 69 days respectively. This failure constitutes a clear violation of Regulations 4(1) and 4(2) of the Regulations, demonstrating non-compliance with regulatory obligations.
- (iv) It is also pertinent to note that the Company although remained out of operations through out the FY 2024 on account of shut down of its Sugar Plant, however, other areas of production i.e. Distillery Operations and Board & Panel Operations etc. remained active; thereby requiring the Company to appoint the Cost Auditor in a timely manner.

8. In view of the above stated facts, it is a well-considered view that Respondents, by failing to meet the timelines and inordinate delays, fell short of complying with the Regulatory framework and the violation of Regulations 4(1) and 4(2) of the Regulations has been established beyond doubt which attracts penal action in terms of Regulations 7 read with Section 512(2) of the Act. Considering the Respondents' admission of oversight, post-compliance and commitment to ensure future compliance, I, in light of powers vested under Regulation 7 of the Regulations and Section 512 of the Act read with SRO 1545(I)/2019 dated December 06, 2019, conclude the instant proceeding by strictly **WARNING** the Respondents to exercise due diligence to ensure meticulous regulatory compliance in the future.


22-04-2025
(Sohail Qadri)
Director/ Head of Department
Adjudication Department-I

Announced:
Dated: April 22, 2025
Islamabad.

