



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

ORDER	
Name of Company	Dadabhoy Cement Industries Limited
Number and Date of Show Cause Notice (SCN)	CSD/ARN/226/2015-339 dated May 27, 2024
Date(s) of Hearing(s)	(i) September 02, 2024; (ii) September 24, 2024; (iii) October 30, 2024; and (iv) November 20, 2024.
Case represented by	Ali Lakhany, Advocate-M/s. K.D. Rajani & Co; (the Authorized Representative.)
Provisions of law involved	Section 176(3) read with Section 176(4)(a) of the Companies Act, 2017.

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/330/2016-339 dated May 27, 2024 (the “SCN”) against the Board of Directors (BOD) hereinafter collectively referred to as (the “Respondents”) of Dadabhoy Cement Industries Limited (the “Company”), under Section 176(4) and Section 479 of the Companies Act, 2017 (the “Act”) for failure to comply with Section 176(3) of the Act.

2. The brief facts of the case are that BOD of the Company in terms of provisions of Section 176(3) of the Act was required to meet at least once in each quarter of a year. However, the review of the annual audited financial statements (the “Account”) and the announcements made by the Company on Pakistan Stock Exchange (“PSX”) revealed that the Company failed to hold its quarterly meetings of the BOD during the first quarters of financial year ended June 30, 2022 (FY 2022) and June 30, 2023 (FY 2023), in contravention of the requirements of Section 176(3) of the Act.

3. In order to probe the matter, the Commission vide letter dated April 02, 2024 sought clarification from the Company in respect of such non-compliance. In response, the Company vide letter dated April 29, 2024 stated that the quarterly meetings for the first quarters of FY 2022 and FY 2023 were held.

4. The review of the record available revealed that no BOD meetings were held by the Company during July-September, 2021 and July-September, 2022. Moreover, the quarterly meetings of BOD required for the aforementioned quarters were held on October 06, 2021 and October 07, 2022 i.e. with delays of six (06) and seven (07) days, respectively. In view of above, the Respondent, *prima facie*, failed to comply with the provisions of Section 176 of the Act.

5. Having being not satisfied with the aforesaid response, the SCN was issued to the Respondents to show the cause in writing as to why a penal action may not be taken against them for non-compliance of the requirements of Section 176(3) of the Act. In response to the SCN, M/s. K.D. Rajani & Co, as the Authorized Representative of the Respondents (**the "AR"**) vide letter dated June 14, 2024 submitted that the quarterly meetings for the first quarter FY2022 (July-September, 2021) and FY 2023 (July-September, 2022) were held and the Announcements of the same were also made at PSX.

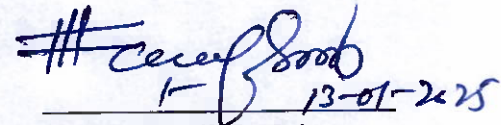
6. In order to provide opportunity of personal representation and to meet the ends of justice, hearing in the matter was fixed for September 02, 2024 which was not attended by the Respondents. Once again hearings in the matter were fixed for September 24, 2024 and October 30, 2024 which were adjourned on the request of the AR vide letters dated September 20, 2024 and October 28, 2024 respectively. In order to conclude the matter, final hearing was scheduled for November 20, 2024 with a clear advice that no further requests for adjournments will be allowed and in the case of non-appearance, an ex-parte order shall be passed on its merit.

7. In the hearing fixed for November 20, 2024, Mr. Ali Lakhny, Advocate from the AR's side, appeared on the behalf of the Respondents and argued the case. The AR reiterated the written submission made earlier vide letter dated June 14, 2024 and stated that quarterly meeting of BOD for each of the first quarter was duly held.

8. I have reviewed the facts of the case and also considered the written and verbal submissions made by the Respondents through the AR. At this juncture, it is important to discuss the following legal and factual elements:

- (i) In terms of Section 176(3) of the Act, the BOD of the Company was required to meet at least once in each quarter of a year. The statutory requirement is absolute, with no discretion or exemption provided under the applicable legal framework.
- (ii) The quarterly meetings of the BOD serve as a vital mechanism for ensuring financial oversight, strategic governance, and regulatory compliance. These meetings are essential for monitoring the Company's performance, addressing potential risks, and protecting the interests of shareholders; thereby enabling the BOD to play its vital role in the management of the business of the Company. It is crucial that these meetings are held within the same quarter to ensure timely decision-making, address issues as they arise, and maintain alignment with the Company's operational and financial timelines.
- (iii) The quarterly meetings of the BOD for the first quarters of FY 2022 and FY 2023 were not held by the Company within the required timeframe, but, as revealed by the available record, these meetings were held on October 06, 2021, and October 07, 2022 respectively. Furthermore, the AR has also assured future compliance with the provisions of section 176(3) of the Act.

9. In view of the afore-stated, the contravention of Section 176(3) of the Act has been established beyond doubt which attracts penal action in terms of Section 176(4) and Section 479 of the Act. I have also given due attention to the grounds presented by the AR to the said non-compliance. However, keeping in view the fact that the quarterly meetings of the BOD for first quarters of FY 2022 and FY 2023 were held with delays of only six (06) and seven (07) days, respectively. I, in exercise of the powers conferred under sub-section (4) of Section 176 and Section 479 of the Act read with S.R.O. 1545(I)/2019 dated December 06, 2019, conclude the instant proceedings with a Warning to the Respondents and advise them to ensure compliance of applicable legal and regulatory framework in future in letter and spirit


13-01-2025
Sohail Qadri
Director/ HOD
Adjudication Department-I

Announced:
January 13, 2025
Islamabad

