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# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department- I

### Adjudication Division

ORDER	
Name of Company	M/s. CALCORP Limited
Show Cause Notice No. & Date:	No. Adj-I/ARN/38/2023-621 dated July 07, 2025
Noticee(s):	(i) Mr. Saad Saeed Faruqi, Chairman; (ii) Mr. Haider Ali Hilaly, Director/CEO; (iii) Mr. Muhammad Danish Hussain, Director; (iv) Mr. Shahrukh Saeed Faruqi, Director; (v) Ms. Sana Shahzad, Director; (vi) Mr. Zia Ullah Bhatti, Director; (vii) Mr. Abdul Wajid Soharwardi, Director; and (viii) M/s. CALCORP Limited
Date(s) of Hearing(s):	(i) August 11, 2025; and (ii) September 08, 2025
Case represented by:	(i) Mr. Salman Bawanay, Advocate High Court; (As Authorized Representative on behalf of Noticees i to vii, all former directors of M/s. CALCORP Limited) (i) Mr. Abdul Majeed Ghaziani, Director; (ii) Mr. Ilyas Ahmed, Company Secretary; (iii) Mr. Bilal Munaf, Chief Financial Officer; and (As the Authorized Representatives of the Noticee No. viii and part of new management).
Provision of law involved:	Sections 199(1), (2) and (4) read with section 199(6) and 479 of the Companies Act, 2017
Date of Order:	January 14, 2026

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the "Commission") through the Show Cause Notice No. Adj-I/ARN/38/2023-621 dated July 07, 2025 ("SCN") against M/s. CALCORP Limited (the "Company") and its Board of Directors ("BoD"), including its Chief Executive Officer (the "CEO"), hereinafter collectively referred to as the "Noticee(s)", issued under Section 199(1), (2) and (4) read with Sections 199(6) and 479 of the Companies Act, 2017 (the "Act").

2. The provisions of sub-section (1) of Section 199 of the Act restricts a company to make any investment in any of its associated companies or associated undertakings except under the authority of a special resolution which shall indicate the nature, period, amount of investment and terms and conditions attached thereto. Furthermore, it also provides explanation of the term "investment" which shall include equity, loans, advances, guarantees, by whatever name called, except for the amount due as normal trade credit, where the terms and conditions of trade transaction(s) carried out on arms-length and in accordance with the trade policy of the company.

3. Moreover, the provisions of sub-section (2) of Section 199 of the Act provides that the company shall not invest in its associated company or associated undertaking by way of loans or advances except in accordance with an agreement in writing and such agreement shall inter-alia include the terms and conditions specifying the nature, purpose, period of the loan, rate of return, fees or commission, repayment schedule for principal and return, penalty clause in case of default or late repayments and security, if any, for the loan in accordance with the approval of the members in the general meetings. Moreover, the first proviso to Section 199(2) of the Act provides that the return on such investment shall not be less than the borrowing cost of the investing company or the rate as may be specified by the Commission whichever is higher and shall be recovered on regular basis in accordance with the terms of the agreement, failing which the directors shall be personally liable to make the payment. Furthermore, the second proviso to Section 199(2) of the Act mandates that the directors of the investing company shall certify that the investment is made after due diligence and financial health of the borrowing company is such that it has the ability to repay the loan as per the agreement. Moreover, sub-regulation (6) of regulation 5 of the Companies (Investment in Associated Companies or Undertakings)

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Regulations, 2017 requires that Interest, mark-up, profit, fees or commission, as the case may be, shall be recovered periodically by the investing company in line with the terms and conditions approved by the members.

4. Furthermore, the provisions of sub-section (4) of Section 199 of the Act mandate that increase in the amount or any change in the nature of investment or the terms and conditions attached thereto shall be made only under the authority of a special resolution.

5. The non-compliance of aforesaid provisions of Section 199(1),(2) and (4) of the Act attracts penal action under sub-section (6) of the Section 199 read with Section 479 of the Act, which provides that any contravention or default in complying with requirements of Section 199 of the Act shall be an offence liable to a penalty of level 3 on the standard scale and in addition, shall jointly and severally reimburse to the company any loss sustained by the company in consequence of an investment which was made without complying with the requirements of the said section.

6. The brief facts of the case are that review of the Annual Audited Financial Statements of the Company for the year ended June 30, 2024 (the "Accounts") revealed that the Company had extended time for recovery of funds receivable from its parent/ associated company i.e., M/s. "Optimus Limited" (the "Parent/ Associated Company"), which is clearly beyond the recovery time allowed to other parties and the mark-up accrued thereon had also not been recovered on regular basis.

7. In order to probe the matter, the Commission vide letter dated March 04, 2025 sought clarification from the Company with regards to its compliance with provisions of Section 199(1), (2) and (4) of the Act in respect of following transactions with Parent/ Associated Company, as disclosed in the Accounts:

- i. Trade Receivable from Parent/ Associated Company has increased to Rs. 25.603 million (Rs. 13.084 million: 2023). (Note 8.1 to the Accounts, "Trade Receivables").
- ii. Other Receivables from related parties (Parent/ Associated Company) is Rs. 101.778 million (Rs. 132.449 million: 2023), (Note 9.1 & 9.2 to the Accounts "Deposits, Prepayments and Other Receivables") having mark-up @3 months KIBOR +3%.
- iii. Accrued interest on overdue balance receivable from Parent/ Associated Company is Rs. 24.017 mm (Reference Note 9.3 to the Accounts).

In response the Company vide its letter dated April 08, 2025, *inter-alia*, submitted that:

*"Over the period in question, we have been in negotiations to sell the Company. As such, as part of the transaction, the buyer wished to minimize intercompany transactions. It was intended that any balances would be closed at the conclusion of the transaction. In the interim, interest was to be accrued at an arm's length rate. Unfortunately, due to unforeseeable delays, such balances grew as time passed. We are now in the very last stages of the transaction and at closing we assure you that all the outstanding balances will be fully closed out as these are the conditions of the transactions. We estimate the closing will occur before June 30, 2025. All assets will be converted into cash on the Company's balance sheet, including parent receivables, will be paid for in cash at closing.*

*CALCORP has been reduced to a shell company in order to facilitate the disclosed pending transaction whereby the intended acquirer intends to inject a fresh business into this entity that will be more suited to the entity's status as a listed company".*

8. The aforesaid indicated that the Noticee(s), *prima facie*, have: (i) effectively extended loan/ long overdue trade receivables amounting to Rs. 25.603 million to Parent/ Associated Company without the authority of a special resolution and extended time of recovery thereof beyond the normal trade credit period, (ii) offered undue financial advantage to the Parent/Associated Company by allowing other receivables amounting to Rs. 101.778 million to accrue for an unduly long period; (iii) not charged any mark-up/ interest on the long outstanding trade receivable; (iv) failed to obtain approval of the loan agreement, including terms and conditions thereto, for extending funds to Parent/ Associated Company from its members in the general meeting; and (v) changed the terms and conditions, i.e., by deferment of recovery of late payment charges in its agreement with Parent/ Associated Company, without the authority of special resolution, thereby, *prima facie*, constituting contravention with the requirements of Sections 199(1), 199(2) and 199(4) of the Act, respectively, which

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attracts a penal action as provided under Section 199(6) read with Section 479 of the Act, reproduced below for ready reference:

**“199. Investment in associated companies and undertaking.-** (6) *Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 3 on the standard scale and in addition, shall jointly and severally reimburse to the company any loss sustained by the company in consequence of an investment which was made without complying with the requirements of this section.”*

9. Accordingly, taking cognizance in the matter, a SCN was served upon the Noticee(s), requiring them to show the cause as to why a penal action as stipulated under Section 199(6) of the Act, may not be taken against them for the aforementioned contraventions of the law. In response to SCN, Mr. Salman Iqbal Bawaney, Advocate High Court from M/s. Bawaney & Partners acting as the Authorized Representative on the behalf of Noticees (i) to (vii), herein after referred to as the **“Authorized Representative”**, vide a letter dated July 22, 2025 requested an extension to submit the reply to SCN which was duly granted. Subsequently, the Authorized Representative vide a letter dated August 2, 2025, *inter-alia*, submitted that:

*The amounts due from the parent company of the Company, i.e. Optimus Limited (“Optimus”), were due mainly for rental services which on account of the vehicles of the Company rented out to Optimus to use for its car rental business. Additionally, some of those payments were due on account of sale/purchase of vehicles, maintenance expenses, interest income (charged on overdue receivables). All of these receivables are, therefore, incidental to the normal trade credits which are customary in car rental business and such amounts so due from Optimus do not indicate any investment made by the Company in its holding company.*

*It is humbly submitted that Section 199(1) of the Companies Act, 2017 (‘Act’), clearly defines investment to mean and include “equity, loans, advances, guarantees, by whatever name called, except for the amount due as normal trade credit, where the terms and conditions of trade transaction(s) carried out on arms-length and in accordance with the trade policy of the company”*

*The only relationship which the Company had with Optimus was purely business related where its vehicles were rented out to Optimus to be used for its car rental business. The rental payments were charged at the prevailing market rates and the entire arrangement was undertaken on ‘arms-length’ basis.*

*The arms-length arrangement is further fortified by the fact that upon delays in recovery of the rental payments and other dues from Optimus, the Company started charging mark-up over such receivables from Optimus at 3-Month Kibor+3%, which was deemed as the average market rate for such mark-up payments at that time.*

*We would also like to update that the sale transaction has in fact been concluded successfully and Optimus is no longer the major shareholder of the Company. Perhaps more importantly, these payments and receivables due from Optimus were indeed cleared and settled in cash by Optimus as a condition to completion of the share sale.*

10. Thereafter, the Noticee No. viii, vide a letter dated August 06, 2025, furnished its reply to the SCN separately and, *inter-alia*, submitted that:

*The new management took over the CalcCorp [the Company] on May 30, 2025 when five of its directors were appointed on the Board of CalcCorp and its shares were transferred. Prior to that the various legal and regulatory requirements were fulfilled relating to takeover of this company, however the new management had no role in its operation and management.*

*We took over CalcCorp with the understanding with the former management that all the outstanding balances will be fully closed out as these were the conditions of the transactions and that all assets will be converted into cash on the company’s balance sheet, including parent company receivables which will be paid for in cash before the take-over.*

11. In order to provide an opportunity of being heard to the Noticee(s), first hearing in the matter was fixed for August 11, 2025; where the Authorized Representative appeared on the behalf of Noticee(s) i to vii.

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Furthermore, on behalf of Noticee No. viii, Mr. Abdul Majeed Ghaziani-Director, Mr. Ilyas Ahmed-Company Secretary and Mr. Bilal Munaf-Chief Financial Officer, members of new management of the Company, appeared as its Representative (hereinafter referred to as the “Representatives of Noticee No. viii” or the “Representatives”). The Authorized Representative and the Representatives of Noticee No. viii reiterated their respective replies to SCN and, *inter alia*, submitted that:

**Submission by Authorized Representative:**

- a) *The Company was acquired by a consortium of three individual investors, which is now collectively holding approximately 84% of the total shareholding;*
- b) *Relationship between the Company and Optimus Limited is acknowledged to be that of a parent-subsubsidiary which also had the commercial relationship as the Company was renting vehicles to the Parent Company (Optimus Limited) as its main client;*
- c) *The amounts due from the Parent Company (Optimus Limited) were always categorized as trade receivables;*
- d) *Delay in payment of receivables by the Parent Company (Optimus Limited) is acknowledged;*
- e) *At the time of the transfer of ownership to the new management, it was agreed between both parties that all liabilities and receivables appearing on the balance sheet as of the transfer date would be settled, thereby handing over a clean company to the new management on May 30, 2025;*
- f) *Initially, the Company was intended to operate as a leasing company; however, this remained only an intent as it never obtained a leasing license. The rental business was adopted as a stop-gap arrangement; hence, the Company did not have a formal trade credit policy in place;*
- g) *The management at a later stage decided to charge interest when it was realized that the receivables from the Parent Company became significantly overdue; and*
- h) *During the relevant period, the Company was solely engaged in business with its Parent Company, Optimus Limited and was not having commercial/rental relations with any other client*

**Representatives of Noticee No. viii:**

- a) *New management took over the Company on May 30, 2025 with the understanding that all outstanding balances, including Parent Company receivables, have been fully settled in cash by the former management prior to the takeover, as a condition of the transaction;*
- b) *New management has no intention of operating the Company as a leasing business or continuing with the rental business; and*
- c) *Currently, the Company has no ongoing operations and new line of business is currently under consideration by the management and the new BoD.*

12. In order to support their argument that the new shareholders and management have no liability in the instant matter, the Representatives of Noticee No. viii were instructed, during the hearing proceedings, to provide (i) Form 9 and Form 21, and (ii) a certificate or other documentary evidence, including an extract of the sale-purchase agreement, confirming that the Company would be handed over free from all liabilities i.e. all liabilities of the Company from the Parent/ Associated Company shall be settled prior to transfer of shares. Furthermore, the Authorized Representative was directed to furnish: (i) extracts of the minutes of the Board Meeting in which the decision to charge interest on the overdue amount from the Parent/ Associated Company was deliberated and approved by the Board of Directors, and (ii) a copy of the rental agreement executed with the Parent/ Associated Company to ascertain the submissions made during the course of hearing. In response, Mr. Ilyas Ahmed-Company Secretary, vide letter dated August 11, 2025 submitted Form 9, Form 21, and an extract of the sale-purchase agreement. Subsequently, the Authorized Representative vide letter dated August 18, 2025, submitted a copy of the rental agreement with the Parent/ Associated Company dated March 05, 2010, along with extracts of the minutes of the Board meeting and Audit Committee Meeting held on February 22, 2023, and October 05, 2023, respectively, and *inter-alia*, submitted that “*Our Clients could not locate other minutes and recorded discussions as the records of CalcCorp Limited have been handed over to the new management.*”

13. In order to conclude the matter in an efficacious manner, another hearing was fixed for September 08, 2025 when the Authorized Representative and the Representatives of Noticee No. viii re-appeared. During the hearing proceeding explanation was sought from the Authorized Representative regarding; (i) charging of interest on trade receivables from the Parent/Associated Company; (ii) details pertaining to the receivables from other related parties namely M/s. Bottleco Pvt. Limited and M/s. Cloud Cooked (Pvt.) Limited as appearing in

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the audited financial statements of the Company; (iii) break-down of the payment made at the time of transfer of Company; and (iv) copy of agreement between Company and the Parent/ Associated Company for charging the interest at 3 months KIBOR+3% on other receivables. Subsequently, the Authorized Representative vide letter dated September 18, 2025 submitted the requisite information and, *inter-alia*, submitted that:

- (i) *The 'other receivable' balance from Parent Company entails other business-related transactions including but not limited to the sale/purchase of vehicles incidental to the arrangement entered between the ultimate client and the parent company with respect to the Company's rented vehicles. Therefore, these transactions were incidental to the business activities of the Company. These 'other receivables' were not in lieu of any return on investment made by the Company in its parent/holding company, which ensures that such receivables are not in relation to any activity which necessitated an approval under Section 199 of the Act.*
- (ii) *No mark-up was charged on Trade Receivables. However, there was never any need or any agreement between the parties to charge any mark-up on trade receivables, nor necessary under any law.*
- (iii) *With respect to the receivables from other related parties, namely M/s. Bottleco Pvt. Limited and M/s. Cloud cooked Pvt. Limited, these amounts directly relate to the vehicles rented to these companies. The parent company was not involved in this arrangement.*
- (iv) *Initially three vehicles were deployed at Bottleco and one vehicle was deployed at Cloud Cooked. Observing delays in the payments during FY 2023, the Company and its then-management terminated the vehicle rental arrangement with these related parties. Bottleco returned the first vehicle during 1<sup>st</sup> half of FY 2023 while the Cloud Cooked vehicle was taken back during later half of FY 2023. After much efforts, due amounts were collected from them in full.*
- (v) *Following is the break-down of payment made at the time of Sale of the Company;*

<i>Description</i>	<i>Amount in Rupees</i>
<i>Against Trade Receivables</i>	<i>48,588,187</i>
<i>Against Other Receivables and Mark-up</i>	<i>124,911,633</i>
<i>Against Purchase of Vehicles as per SPA</i>	<i>146,536,147</i>
	<i>320,035,967</i>

14. I have gone through the provisions of Section 199 of the Act with a specific focus on sub-sections (1), (2) and (4) thereof which are mandatory in nature and have also considered the facts of the case along with available record of the Company, as well as the written and verbal submissions made by the Noticee(s). I have also perused Section 199(6) of the Act, which stipulates penal provisions for contravention of the afore-referred provisions of law. I have also given due consideration to the fact that the Company has gone through a process of transfer of ownership where the Parent/ Associated Company has sold its stake in the Company to a group of individuals who, w.e.f. May 30, 2025, have the control of the entity and its management. However, it is pertinent to observe that the receivables from the Parent/ Associated Company were required to be recovered as per the Company's normal trade policy/practice and any extension beyond such recovery period renders the nature of the transaction to be that of a loan, which then, in-turn attracts the provisions of Section 199(2) of the Act without any exception or impact of the change in the ownership or management.

15. It is also observed that Section 199(1) of the Act, by specifically permitting trade-related receivables to be excluded from the definition of "investment" only when they arise from transactions conducted at arm's length and strictly in accordance with the company's trade policy, outlines a clear statutory framework designed to distinguish commercial transactions from investment activities to safeguard the company and its stakeholders from unauthorized or imprudent financial exposures to associated undertakings. The trade policy, therefore, functions as a critical safeguard and much essential yard stick for establishing defined and uniform credit terms and recovery mechanisms; and ensures that the transactions falling beyond the ordinary course of business are clearly identified and dealt with accordingly. In the instant matter, it is observed that the Company, admittedly, did not have any formal trade/credit policy in place. Accordingly, the contention of the Authorized Representative that the long-outstanding receivables from the Parent/ Associated Company have arisen in the ordinary course of business, is misconceived and untenable as the prolonged and indefinite deferment of receivables; particularly involving an associated company without the safeguards of a formal policy framework,

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effectively amounts to a financial accommodation rather than a trade-related transaction in the ordinary course of business; thereby unequivocally invoking the application of Section 199 of the Act. Moreover, it is also observed that the argument put forward during the hearings by the Authorized Representative that the Company was conceived with the original business plan of launching the leasing business under a proper license but the same could not be materialized and vehicle rental business was undertaken as a stop-gap arrangement; and therefore no formal policy was framed for trade credits, does not hold any grounds; as the statutory obligation to frame, approve, disclose, and implement a proper policy governing the trade credits is not contingent upon Company's business decision to modify or defer the original business plan or the characterization of its operations as stop-gap or temporary. It was, therefore, obligatory and cardinal for the Noticee(s) to have proper trade policy in place before entering into transactions giving rise to trade credits and therefore, not having a trade policy reflects a conscious disregard of statutory compliance rather than a bona-fide constraint.

16. It is also imperative to observe that the age analysis of trade receivables disclosed in the annual financial statements of the Company for the year ended June 30, 2022 reflects that trade receivables from the Parent/ Associated Company included Rs. 30.7 million which were overdue by 90–365 days and an additional Rs. 15 million outstanding for more than 365 days. Similarly, as of June 30, 2023 Rs. 9.48 million out of Rs. 13.08 million was overdue by 90-365 days. Likewise, as of June 30, 2024 Rs. 14.85 million out of Rs. 25.6 million receivables from the Parent/ Associated Company was overdue by 90-365 days (refer note 8.1 of Company's financial statements for the periods ended June 30, 2023 and June 30, 2024), reflecting a clear continuation of delayed recoveries. Accordingly, the prolonged deferments of receivables can neither be classified as "normal trade credit" nor can such conduct be construed as incidental to routine commercial dealings. Instead, it constitutes the systematic extension of repayment timelines without recovery within commercially reasonable periods, making them fall squarely within the definition of "investment" under Section 199(1) of the Act, thereby requiring the consent of shareholders through a special resolution.

17. It is also observed that the prolonged deferment of recovery of receivables from the Parent/ Associated Company spanning between 90-365 days across successive fiscal years stands in vivid contrast to the Company's treatment of other related parties such as M/s. Bottleco (Pvt.) Ltd. and M/s. Cloud Cooked (Pvt.) Ltd where strict decisive actions were taken for delayed payments including termination of commercial arrangements and active recovery efforts, as itself claimed by the Authorized Representative. However, no comparable measures were undertaken in respect of recovery of receivables from the Parent/ Associated Company, despite the significantly larger outstanding balances. This disparate approach reflects, even in absence of any formally adopted trade policy, a marked departure from Company's prevailing recovery practice and indicates preferential indulgence afforded to the Parent/ Associated Company, unsupported by any formal trade policy or objective justification.

18. It is also imperative to observe that the perusal of the copy of agreement dated June 10, 2023 regarding charging of interest on other receivables provided by the Authorized Representative revealed that it was agreed between the Company and its Parent/ Associated Company to charge interest only on the outstanding "other receivables" due over 90 days at the prevailing three (3) months KIBOR plus 3%. However, on perusal of the extracts of the minutes of the Board of Directors meeting held on February 22, 2023, and the Audit Committee proceedings dated October 5, 2023, as submitted by the Authorized Representative, it was observed that both the said minutes were deficient with regards to the date of applicability of interest and the mechanism for implementing or monitoring such charges. The absence of these critical deliberations or formal approvals leads to questions in respect of governance and overall propriety of the arrangement with the Parent/ Associated Company. Moreover, it is also apt to observe that the Company made no efforts to recover the interest of Rs. 24.032 million accrued on other receivables which further evidences a lack of commercial prudence and financial diligence in transactions with the Parent/ Associated Company. The non-recovery of accrued mark-up effectively allowed the Parent/ Associated Company to enjoy both interest-free and indefinitely extended credit economic benefits that any independent third party would have been denied.

19. It is also observed that the Company has failed to charge any interest on trade receivables that remained similarly overdue. The said fact was also admitted by the Authorized Representative in his reply dated September 18, 2025 and is also evidenced from the Financial Statements of the Company for the years ended June 30, 2024, 2023 and 2022. The selective application of financial discipline by the Company reveals a discretionary rather than policy-driven approach with respect to the Parent/ Associated Company and a failure to uniformly enforce its own internal interest recovery mechanism, and undermines uniform trade conduct and confirms that such

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receivables were treated not as ordinary trade credit but as informal, interest-free loans to the Parent/ Associated Company. It is also important to observe that the rental agreement dated March 05, 2010 between the Company and its Parent/Associated Company lacks a formal mechanism to ensure timely recovery of receivables. The said agreement does not provide a defined repayment schedule and contains no enforceable provision for charging interest in the event of default or delay. Such contractual deficiencies undermine the Company's ability to safeguard its financial interests including those of its minority shareholders. In this matter guidance may be drawn from the principle enunciated by the Appellate Bench of the Commission in its decision reported as 2013 CLD 220 [Appeal No. 26 of 2008, decided on June 5, 2012] wherein the Noticee company had extended an abnormal credit period to its associated companies for settlement of outstanding dues, while categorizing the same as normal trade transactions. The Appellate Bench of the Commission, however, observed and held that: *"The Appellants extended abnormal credit period to [associated companies] for making the outstanding payment... the question before us is that whether the abnormal trade credit allowed was an 'investment' in terms of Section 208 of the [Companies] Ordinance [1984]... The Appellants in fact made investment in the associated companies under Section 208 of the Ordinance and ought to have taken approval from the shareholders before making the said investment. On the basis of above findings, we do not see any reason to interfere with the Impugned Order. The Impugned Order is upheld..." [Gharibwal Cement v. Executive Director, cited at 2003 CLD 131].*

20. Clear guidance in the matter can be sought from the precedent set in *J.K. Spinning Mills Ltd.* [2011 CLD 614] underscores the critical distinction between genuine trade credit and disguised financial accommodations to associated entities. It reinforces the principle that prolonged and unsupported credit extensions to related parties fall outside the ambit of normal trade credit and may constitute unauthorized investments requiring shareholder approval as it was held that *"...in the context of arguments put forth, the first and the foremost question to be addressed, among others, is whether the funds advanced to... which remained outstanding in the following years are in the nature of the normal trade credit or not. Although the words 'trade credit' could be of widest scope in general legal usage, I am of the view that the context in which these words have been used in the aforesaid provisions of law has limited meaning' In my opinion, 'Normal Trade Credit' has been used with reference to investing company and refers to the credit allowed by the investing company to its customers in the ordinary course of business... In fact, merely a quick look on the abnormally stretched credit period for which these funds remained outstanding and then their recovery in the form of purchase of finished fabric which is not covered by their main line of business, sufficiently demonstrate that there did not exist a normal trade relationship between the Company and its associate... This practice, evidently cannot be covered by the term 'Normal Trade Credit' in accordance with requirements of section 208 [pari-materia to Section 199 of the Act] especially in view of the fact that the expression "investment" has particularly been defined which provides that "The expression 'investment' shall include loans, advances, equity, by whatever name called, or any amount which is not in the nature of normal trade credit" In view of the foregoing discussion and the account analysis shows that the outstanding amount due from J.K. Sons by the Company is not in the nature of normal trade credit as explained in the particular context of the expression... It is a mandatory requirement of section 208 of the Ordinance that the funds can only be invested in the associated/ subsidiary company under the authorization of the shareholders. It has been established that the Respondents have violated the mandatory requirements of section 208 of the Ordinance. The management of the Company has deprived the shareholders to exercise their legitimate right to make a decision to invest in its associate... The directors owe fiduciary duties to the Company they serve and its shareholders. They must discharge their statutory obligations in good faith with fairness and honesty. In fact, the Company has been acting as a financier by providing funds to the associated concerns to fulfil their financial requirements at the cost of the Company. They have breached their fiduciary duty by providing unnecessary benefits to its associated undertakings... The directors have failed to exercise reasonable care to see that mandatory provisions of law were being violated and have not respected the mandate of the shareholders..."*

21. It is also pertinent to observe that the decision to defer recovery of substantial receivables from the Parent/ Associated Company, along with the subsequent decision to charge interest only on other receivables at a later stage constitute a material alteration in the terms and conditions of the underlying financial arrangement between the Company and its Parent/ Associated Company. However, no evidence has been placed on record demonstrating that such modifications were sanctioned by the shareholders through a special resolution, as required under Section 199(4) of the Act. Such an adjustment of repayment terms, in the absence of a special resolution is a clear violation of the requirements prescribed under Section 199 (4) of the Act, thereby, bypassing the safeguards intended to protect the interests of the Company and its minority shareholders.

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22. It is apt to observe that the settlement of all dues upon sale of the shares by the Parent/Associated Company, may have had a mitigating impact for the new shareholders/acquirers, it does not absolve the Noticees of their statutory obligations in terms of Section 199 of the Act that were breached at the relevant point(s) in time. Furthermore, the assertion by new management of their non-involvement prior to May 30, 2025 carries due weight; especially where the past non-compliance(s) and lack of proper approvals remains attributable to the Company's former management and BoD.

23. In view of the aforesaid, contravention with the requirements of sub-section (1), (2) and (4) of Section 199 of the Act has been established beyond doubt which attracts penal action in terms of sub-section (6) of Section 199 of the Act. I have also given due attention to the grounds presented by the Authorized Representative and the Representatives to the said non-compliance; however, none of the ground seems to justify the non-adherence with the mandatory provisions of law. Due consideration has also been given to the fact that the new management took over the operations of the Company w.e.f. May 30, 2025 after settlement of all the outstanding balances, including Parent Company receivables by the earlier management (Noticee No. i to vii). I, therefore, in exercise of the powers conferred upon me under sub-section (6) of Section 199 of the Act read with S.R.O. No. 1545(I)/2019 dated December 06, 2019, hereby conclude the proceedings initiated through the SCN and WARN the Company to remain careful in terms of regulatory compliances in the future. I further impose an aggregate penalty of Rs. 70,000/- (**Rupees Seventy Thousand Only**) on the remaining Noticees in the following manner:

Sr. #	Noticee(s)	Penalty (Rs.)
1.	Mr. Saad Saeed Faruqui, Chairman	10,000/-
2.	Mr. Haider Ali Hilaly, Director/CEO	10,000/-
3.	Mr. Muhammad Danish Hussain, Director	10,000/-
4.	Mr. Shahrukh Saeed Faruqui, Director	10,000/-
5.	Ms. Sana Shehzad, Director	10,000/-
6.	Mr. Zia Ullah Bhatti, Director	10,000/-
7.	Mr. Abdul Wajid Soharwardi, Director	10,000/-
	<b>Total</b>	<b>70,000/-</b>

24. The Noticee(s) are hereby directed to deposit the aforesaid amount of penalty in the designated bank account maintained in the name of the Commission with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and to furnish a receipted bank challan to the Commission forthwith. In case of failure to deposit the penalty, the proceedings under Section 485 of the Act will be initiated for recovery of the fines as arrears of land revenue pursuant to provision of Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997.

25. Without prejudice to the above, in case the Noticee(s) are aggrieved by this Order, they may, within thirty days of the Order, prefer to file review application in terms of Section 32B of the Securities and Exchange Commission of Pakistan Act, 1997 ("SECP Act") or may file an appeal to Appellate Bench of the Commission in terms of Section 33 of the SECP Act in accordance with the procedure for filing an appeal as laid down under the Securities and Exchange Commission of Pakistan (Appellate Bench Procedure) Rules, 2003.

  
 (Sohail Qadri) 14/01/2026  
 Director/ Head of Department  
 Adjudication Department-I

**Announced:**  
 Dated: January 14, 2026  
 Islamabad.