



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of Company:	M/s. Buxly Paints Limited
Show Cause Notice No. & Date:	CSD/ARN/512/2017-526 dated June 04, 2025
Name(s) of Noticee(s):	(i) Mr. Shamshad Ali, Chairman (ii) Mr. Bashir Ahmed, Chief Executive (iii) Mr. Adnan Iqbal, Director (iv) Mr. Fakharul Arfin, Director (v) Sheikh Asim Rafique, Director (vi) Mr. Muhammad Hanif Idrees, Director (vii) Major (R) Naseer Ahmed, Director (viii) Mrs. Rubina Rizvi, Director (ix) M/s. Buxly Paints Limited through Chief Executive
Date(s) of Hearing(s):	(i) June 30, 2025; and (ii) July 14, 2025.
Case represented by:	(i) Mr. Abdul Hanan, Head of Corporate Affairs; and (ii) Mr. Abid Hussain, Chief Executive (M/s. Hussain Corporate Advisors) As the Authorized Representatives on behalf of all Noticee(s).
Provision of law involved:	Section 170 of the Companies Act, 2017 read with Section 502 thereof.
Date of Order:	July 18, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the "Commission") through the Show Cause Notice No. CSD/ARN/512/2017-526 dated June 04, 2025 ("SCN") against M/s. Buxly Paints Limited (the "Company") and its Board of Directors ("BOD") including the Chief Executive Officer (CEO), hereinafter collectively referred to as the "Noticee(s)", for contravention of the requirements of Section 170 of the Companies Act, 2017 (the "Act") read with Section 502 thereof.

2. The provisions of sub-section (1) of Section 170 of the Act stipulate that the remuneration of a director for performing extra services, including the holding of the office of chairman, shall be determined by the board or the company in general meeting, as the case may be, in accordance with the provisions in the company's articles.

3. The review of the Annual Audited Financial Statements for the year ended June 30, 2024 (the "Accounts") of the Company revealed a significant increase in remunerations of the CEO and Director of the Company. As disclosed in Note 33 to the Accounts, the total remuneration of the CEO increased from Rs. 4.080 million to Rs. 9.606 million, while the remuneration one of the directors, i.e., Executive Director, increased from Rs. 0.575 million to Rs. 5.470 million.

4. The Article 88 of Articles of Association (the "Articles") of the Company prescribes that:

"Article 88: The remuneration of the Directors shall from time to time be determined by the Company in a General Meeting, subject to any approval required by law. The remuneration paid for attending meetings of the Board to persons other than the regularly paid Chief Executive and full-time working Directors shall not exceed five hundred rupees per meeting."

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5. In order to probe the matter, the Commission vide letter dated December 02, 2024 sought clarification/explanation along with the copies of the necessary approvals from the Company with regards to the aforesaid changes in the remunerations, for which the Company in its response vide letter dated December 13, 2024 provided the minutes of the board meeting held on August 01, 2023 (the “Minutes of Board Meeting”) regarding the appointment of Chairman, CEO and Executive Director and further submitted that:

“We would to clarify that changes in remuneration are due to appointment of new CEO and a change in designation of existing CEO to Director, for which necessary approvals from the BOD are attached for your reference. Specifically:

- *Regarding increase in CEO’s remuneration, the Company has hired a new CEO at higher salary resulting increase in expense.*
- *Regarding increase in Director’s remuneration, the Company was paying only a fee to Directors for attending meetings in the year 2023, while the Company is paying a salary to a newly appointed Executive Director in addition to the fee for attending the general meeting paid to other Directors in the year 2024.”*

6. The review of the Minutes of Board Meeting as furnished by the Company revealed that the Board had authorized the Chairman to determine the remuneration of the CEO and Executive Director and further revealed the following key changes in the Company’s management structure:

- Mr. Bashir Ahmed, previously serving as the Chairman of the BOD, has been appointed as the new CEO;
- Mr. Shamshad Ali, formerly a Director, has assumed the role of Chairman of the Board;
- Mr. Adnan Iqbal, who previously held the position of the CEO, has been appointed as an Executive Director.

7. Based on the Company’s response and the Minutes of Board meeting, the increase in Directors’ remuneration from Rs. 0.575 million to Rs. 5.470 million was attributed to the appointment of Mr. Adnan Iqbal as an Executive Director; whereas the Articles required that any Director’s remuneration be approved by the members in a general meeting. However, instead of obtaining such approval from the members in a general meeting, the Board, in its meeting, authorized the Chairman to determine the remuneration of the Executive Director and thereby, *prima facie*, failed to comply with the requirement of the Articles and the provisions of Section 170 of the Act, which attracts a penal action in terms of Section 502 of the Act.

8. Taking cognizance of the aforesaid violation of law, SCN was served upon the Noticee(s) to show the cause in writing as to why a penal action under Section 502 of the Act may not be taken against them for non-compliance of the requirements of Section 170 of the Act. In response to SCN, the Company Secretary of the Company vide letter dated June 16, 2025 requested an extension of fifteen (15) days in submitting the reply to SCN, which was duly granted.

9. In order to provide an opportunity for personal representation and to meet the ends of justice, hearing in the matter was first fixed for June 30, 2025; which was adjourned in light of the Company’s request for grant of more time to furnish the response to SCN. Subsequently, Mr. Abdul Hanan, Head of Corporate Affairs, M/s. Hussain Corporate Advisors, on behalf of the Noticee(s), vide letter dated July 05, 2025, *inter alia*, submitted, as under:

- (i) *The Articles explicitly distinguish between the remuneration of the CEO (governed by Article 78) and the remuneration of directors (governed by Article 88).*

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(ii) Article 78 of the Articles unequivocally authorizes the BOD to fix the remuneration of the CEO, and pursuant to Article 78, the CEO's remuneration was approved by the BOD in its meetings held on August 01, 2023, and October 29, 2024.

(iii) Article 88 of the Articles requires shareholder approval for Directors' remuneration. However, the SCN conflates the role of an Executive Director (Mr. Adnan Iqbal) with that of Non-Executive Directors, as Mr. Iqbal was appointed as an Executive Director (i.e., a full-time, salaried officer) under a Board resolution, and Article 88 explicitly carves out an exception for "regularly paid CEO and full-time working Directors," limiting the scope of shareholder approval to Non-Executive Directors' meeting fees (capped at Rs. 500 per meeting). The increase in Mr. Iqbal's remuneration relates to his executive role and not to a Director's fee; thus, Article 88 is inapplicable.

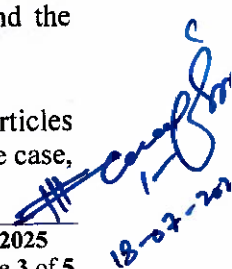
(iv) Management restructuring was undertaken on August 01, 2023, through a Board resolution that reconfigured the roles of Mr. Bashir Ahmed (formerly Chairman), who was appointed as CEO with remuneration approved under Article 78 of the Articles, and Mr. Adnan Iqbal (formerly CEO), who was appointed as Executive Director with remuneration approved as part of his executive responsibilities. This was a routine management decision within the Board's authority.

(v) Further, for the sake of argument, even if approval had been required, it was effectively granted by the shareholders when they approved the financial statements for the relevant years, which contained full details of the remuneration paid to the CEO, directors, and non-executive directors.

10. In order to conclude the matter, another hearing in the matter was fixed for July 14, 2025, wherein Mr. Abdul Hanan, Head of Corporate Affairs, assisted by Mr. Abid Hussain, Chief Executive (both of M/s. Hussain Corporate Advisors), appeared as the "Authorized Representatives" on behalf of all the Noticee(s). The Authorized Representatives, during the hearing, reiterated the earlier furnished response to the SCN and, *inter alia*, submitted that pursuant to Article 78 of the Articles, the BOD can decide the remuneration of the CEO; whereas Article 88 of the Articles applies only to Non-Executive Directors, for whom shareholders' approval is required in the general meeting, and that the BOD was in a position to decide the remuneration of full-time working Directors (Executive Directors). Moreover, it was stated that the aforesaid increase in the remuneration of the CEO and Executive Director was a routine matter, which was duly disclosed in the financial statements. However, upon elaborate reading of the provision, the intent and scope of Article 88 of the Articles does not distinguish between Executive and Non-Executive Directors, the Authorized Representatives nonetheless admitted the non-compliance relating to the increasing/fixing of the remuneration of the Executive Director (Mr. Adnan Iqbal) and assured that in the forthcoming Annual General Meeting, post-facto approval for the same from the shareholders would be obtained to meet regulatory compliance. The Authorized Representatives further assured that due compliance with the regulatory requirements of the law shall be fully adhered to in the future and requested leniency in the instant matter on account of this being a first-time instance of non-compliance.

11. Subsequent to the hearing, the Authorized Representatives, vide an email dated July 14, 2025, provided a copy of the minutes of the BOD meeting held on September 23, 2023, wherein the BOD authorized the Chairman of the Board to fix the remuneration of the CEO and the Executive Director.

12. I have gone through the relevant provisions of Section 170 of the Act and the Articles especially the provisions of Article 78 and 88 of the Articles, and considered the facts of the case,

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as well as the written and verbal submissions made by the Noticee(s) through their Authorized Representatives. I have also perused Section 502 of the Act, which stipulates penal provisions for contravention of the afore-referred provision of law. It is pertinent to underscore the legislative significance of Section 170 of the Act, which aims to ensure transparency and fairness in the determination of remuneration paid to Directors performing extra services, including acting as Chairman, CEO, or Executive Directors. By mandating that such remuneration be determined either by the Board or by the Company in a general meeting, subject to the provisions of the Articles, the legislative intent is to safeguard against arbitrary or self-serving decisions by those in positions of control and to ensure that all material transactions impacting shareholder value are subject to an appropriate governance process.

13. In respect of the assertion of the Authorized Representatives that the BOD of the Company was fully authorized under Article 78 of the Articles to approve and increase the remuneration of the CEO, it is pertinent to note that a plain reading of Article 78 of the Articles supports this assertion, as it explicitly provides as under:

"The Chief Executive shall receive such remuneration (whether by way of salary, commission, participation in profits, allowances, perquisites, etc., or partly in one way and partly in another) as the Board may fix, subject to the Federal Government, Finance Division Notification SRO No. 572(I)/82 dated June 14, 1982, or any modifications in that behalf for the time being in force."

Furthermore, the minutes of the BOD meeting held on September 23, 2023, confirm that the Board, while remaining within its scope of authority under Article 78 of the Articles, resolved to increase the remuneration of the CEO in exercise of powers expressly conferred upon it by Article 78 of the Articles; thus, the proceedings in respect of the increase in the remuneration of the CEO are hereby dropped without any adverse action.

14. The assertion of the Authorized Representatives that the BOD of the Company was also fully empowered to increase/fix the remuneration of the Executive Director and that Article 88 of the Articles applies only to Non-Executive Directors, does not stand any grounds. A plain reading of Article 88 of the Articles makes it clear that it does not draw any distinction between Executive and Non-Executive Directors regarding the requirement of shareholder approval. The language of the provision is unequivocal, stipulating that the remuneration of directors, without exception, must be determined in a general meeting, subject to applicable legal requirements.

15. Furthermore, the submission of the Authorized Representatives that, even if such approval was required, it was effectively obtained when the shareholders approved the annual audited financial statements containing disclosure of Directors' remuneration is also not legally tenable. The statutory requirement under Section 170 of the Act and Article 88 of the Articles necessitates that the matter of fixing or increasing directors' remuneration must be placed before the shareholders as a specific agenda item, and approved through a proper resolution. Mere inclusion of remuneration figures in the financial statements, and their adoption in the general meeting, does not comply with the requirements of law. Accordingly, the BOD of the Company, by increasing/fixing the remuneration of the Executive Director without obtaining approval from the shareholders as required under Article 88 of the Articles, acted beyond the scope of its authority; thereby contravening the requirements of Section 170 of the Act. This, in turn, also resulted in violation of the provisions of Section 36 of the Act due to non-adherence to the Articles. Reliance is also placed on the case of **Muhammad Hanif Abbasi v. Imran Khan Niazi (PLD 2018 SC 189)**, wherein the Hon'ble Supreme Court of Pakistan held that, *"It is a settled principle of law that where a law requires doing of something in a particular manner, it has to be done in that manner and not otherwise."*

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16. In light of the aforesaid, the contravention with the requirements of Section 170 of the Act has been established beyond doubt, which attracts penal action in terms of Section 502 of the Act. I have also given due attention to the arguments presented by the Authorized Representatives and assurance of achieving regulatory compliance in the upcoming general meeting, however, none of the argument justifies the non-compliance with the provisions of the Act. I, therefore, in exercise of the powers conferred under Section 502 of the Act read with S.R.O. 1545(I)/2019 dated December 6, 2019, hereby **WARN** the Company/Noticee(s) No. (ix) and impose an aggregate penalty of **Rs. 40,000/- (Rupees Forty Thousand only)** on the Noticee(s) No. (i) to (viii) on account of the established default, in the following manner:

Sr. #	Names of the Noticee(s)	Penalty Amount (Rs.)
(i)	Mr. Shamshad Ali, Chairman	5,000
(ii)	Mr. Bashir Ahmed, Chief Executive	5,000
(iii)	Mr. Adnan Iqbal, Director	5,000
(iv)	Mr. Fakharul Arfin, Director	5,000
(v)	Sheikh Asim Rafique, Director	5,000
(vi)	Mr. Muhammad Hanif Idrees, Director	5,000
(vii)	Major (R) Naseer Ahmed, Director	5,000
(viii)	Mrs. Rubina Rizvi, Director	5,000
	Total Amount	40,000

17. Furthermore, in exercise of the powers conferred under Section 475 of the Act read with S.R.O. 1545(I)/2019 dated December 6, 2019, the Noticee(s) are hereby **DIRECTED** to include the matter in the next general meeting and obtain post-facto approval, by meeting proper disclosure/notice and approval requirements from the shareholders for the increased remuneration paid to the Executive Director. The Noticee(s) are further **DIRECTED** to ensure that a certified copy of the minutes of the said general meeting is submitted to the Supervision Department of the Commission.

18. The Noticee(s) No. (i) to (viii) 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.


18-07-2025

Sohail Qadri
Director/ HOD
Adjudication Department-I

Announced:
Dated: July 18, 2025
Islamabad

