



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I Adjudication Division

Before

Mahboob Ahmad – Additional Director/Head of Wing

In the Matter of

Beco Steel Limited

Number and Date of SCN: Adj.I/ARN/39/2023-193 dated April 4, 2024

Date of Hearing: May 3, 2024

Present: Rana Shakeel Shaukat
(Authorized Representative)

ORDER

UNDER SECTION 237 READ WITH SECTION 479 OF THE COMPANIES ACT, 2017

This Order shall dispose of the proceedings initiated against the board of directors including the chief executive and chief financial officer (collectively referred to as the **Respondents**) of Beco Steel Limited (**the Company**) through Show Cause Notice (**the SCN**) dated April 4, 2024 issued under Section 237 read with Section 479 of the Companies Act, 2017 (**the Act**):

2. Brief facts of the case are that the Respondents failed to prepare and file/transmit through eServices with the Registrar/Commission, its Quarterly Financial Statements (QFS) for the following period within the stipulated time:

| S.No. | Period ended | Due on |
|-------|--------------------|------------------|
| 1 | September 30, 2023 | October 30, 2023 |

3. The directors, chief executive and chief financial officer of the Company, *prima facie*, contravened the provisions of Section 237 of the Act read with the Commission's Circular No. 11 dated August 11, 2023 (**the Circular**) by failing to prepare and file/transmit through eServices with the Registrar/Commission the afore-mentioned periodic financial statements within the stipulated time.

4. Consequently, the SCN was issued to Respondents to show cause in writing as to why penal action may not be taken against them for non-compliance of Section 237 of the Act.

The Respondents, *inter alia*, submitted the following response to the SCN vide letter dated April 18, 2024:

- The delay in filing/transmitting the QFS was a result of a delay in audit process which consequently led to late finalization of our annual accounts. Additionally, non-finalization of previous periods accounts hindered our ability to finalize the next quarter's accounts within stipulated timeframe.
- We had proactively communicated reasons for delay to your esteemed office while seeking extension for AGM.



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- The delay was not indicative of any disregard for regulatory compliance on our part. We understand importance of timely submission of financial statements and assure you the necessary measures have been implemented to prevent such delays in future.
- We request the Commission to consider our explanation and refrain from initiating any action against the company's board and CFO.

5. In order to accord an opportunity of personal representation to the Respondents, a hearing in the matter was held before the undersigned on May 3, 2024 wherein Rana Shakeel Shaukat appeared on behalf of the Respondents as their Authorized Representative (**the Representative**). Over the course of the hearing, the Representative reiterated the Respondents' written stance submitted vide letter dated April 18, 2024, attributing the late filing/transmission of the said QFS to non-completion of the audit for financial year 2023 and the resultant delayed holding of the Company's AGM on December 30, 2023. The Representative emphasized that delay in finalisation of financial statements of preceding periods led to delay in finalization of accounts for the subsequent periods.

The Representative acknowledged the non-compliance, requested to take a lenient view in the matter considering the afore-narrated facts, whilst giving a binding assurance of future adherence to the statutory obligations on behalf of the Respondents.

6. Before proceeding further, it is necessary to advert to the relevant provisions of the law:

Sub-section (1) of Section 237 of the Act read with the Circular entails:

1) *Every listed company shall prepare quarterly financial statements within a period of: -*

a) thirty days from the close of first and third quarters of its year of accounts; and

b) sixty days from the close of its second quarter of its year of accounts.

2) *The quarterly financial statements shall be posted on the company's website for the information of its members and also be transmitted electronically to the Commission, securities exchange and with the registrar within the period specified under sub-section (1).*

Sub-section (4) of Section 237 read with Section 479 of the Act stipulates that:

If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief financial officer of the company who has by his act or omission been the cause of such default shall be liable to a penalty of level 2 on the standard scale.

7. As regards the matter at hand, I have analysed the facts of the case, relevant provisions of the Act and the arguments set forth during the hearing as well the Respondents' written correspondence. At this juncture, it is essential to address the following:

a. Whether it is a statutory obligation of listed companies to file/transmit QFS?

Yes. QFS filing is a regulatory obligation for listed companies that helps ensure transparency and accountability. The provisions of Section 237 of the Act are unambiguous and explicit. The timing of the QFS is of essence and disclosure requirements of these QFS have been kept to a bare minimum. QFS prepared accurately and in a timely manner not



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only provide to its users a reliable source of information regarding a Company's financial position and performance but also shows the results of the management's stewardship of resources entrusted on to it. In order to ensure compliance, the Respondents have fiduciary duty to ensure that the Company meticulously adheres to the law for preparation and filing/transmission of the QFS in a timely manner. In this context, the Respondents cannot absolve themselves from their statutory duties pertaining to preparation and filing/transmission of the QFS in a timely manner as stipulated under the Act.

b. Whether QFS are a key source of information for stakeholders?

Yes. QFS are a vital source of information for stakeholders, providing critical insights into a company's financial health and performance. QFS provide stakeholders with up to date financial information every quarter to track the company's performance and make more informed decisions, as well as helping stakeholders assess the company's current situation. The preparation and transmission of QFS within the stipulated timeframe rests with the Respondents. In this context, perusal of Company's records transpires that they failed to prepare and file/electronically transmit the Company's QFS for the period ended December 31, 2023 within the statutory timeframe as stipulated under Section 237 of the Act read with the Circular. I am, therefore, of the considered view that the Respondents have deprived the shareholders of their statutory right to receive QFS of the Company within the stipulated time.

c. Whether delay in statutory audit and filing of QFS with delay absolves of the Company from its obligation to file QFS in a timely manner?

No. The delay in completion of audit does not absolve listed the Company from its obligation to timely file QFS. The Company shall comply with its financial reporting requirements, provide timely financial information to the stake holders that includes filing/transmission of QFS.

Perusal of Company records reveals that the QFS for period ended September 30, 2023 have been filed on February 10, 2024 with the Registrar with a delay of 102 days. Hence, the violation of Section 237 of the Act read with the Circular is attracted for the cited default.

8. In view of the preceding facts, I have considered the written as well as verbal submission made by Respondents/Representative and come to the conclusion that, as a result of filing through eServices with the Registrar the Company's QFS for period ended September 30, 2023 with a delay of 102 days, the provisions of Section 237 of the Act have been violated which renders the Respondents liable to penal action in terms of sub-section (4) of Section 237 of the Act.



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I, in exercise of powers conferred upon me under sub-section (4) of Section 237 of the Act, hereby impose an aggregate penalty of Rs. 80,000 (Rupees Eighty Thousand only) on the Respondents as per following:

| S.No. | Name of Respondent | Amount in Rupees |
|--------------|---|------------------|
| 1 | Mr. Muhammad Ali Shafique Chaudhary - CEO | 10,000 |
| 2 | Mr. Muhammad Zain-ul-Afaq - Director | 10,000 |
| 3 | Ms. Shabana Shafique - Director | 10,000 |
| 4 | Mr. Muhammad Hashim Tareen - Director | 10,000 |
| 5 | Ms. Eman Shafique - Director | 10,000 |
| 6 | Mr. Muhammad Asim Raza - Director | 10,000 |
| 7 | Mr. Mahmood Aslam - Director | 10,000 |
| 8 | Ms. Afifa Shafique – Director & CFO | 10,000 |
| TOTAL | | 80,000 |

9. The aforementioned penalties must be deposited in the designated bank account maintained with United Bank Limited or MCB Bank Limited in the name of the **Securities and Exchange Commission of Pakistan** within thirty (30) days from the receipt of this Order, and receipted bank vouchers must be furnished to the Commission. In case of non-deposit of the penalty, proceedings under Section 485 of the Act will be initiated for recovery of the same as arrears of land revenue. It may also be noted that the penalties have been imposed on the Respondents in their personal capacity; therefore, they are required to pay the said amount from personal resources.

10. Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for imposition of penalties on the Respondents in respect of any default, omission or violation thereof.

MAHBOOB AHMAD

Additional Director/Head of Wing
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Announced:

June 27, 2024

Islamabad