



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

Before

Shahzad Afzal Khan – Director/Head of Department

In the Matter of

Sana Industries Limited

Number and Date of SCN: CSD/ARN/300/2016-210 dated April 16, 2024

Date of Hearing: June 6, 2024

Present: Mr. Muhammad Waseem – FCA
(Authorized Representative)

ORDER

UNDER SECTION 132(3) OF THE COMPANIES ACT, 2017 READ WITH SECTION 510(2) THEREOF AND CIRCULAR 10 OF 2019

This Order shall dispose of the proceedings initiated against Sana Industries Limited (**the Company**) and its Board of Directors (**collectively referred to as the Respondents**) through Show Cause Notice dated April 16, 2024 (**the SCN**) issued under sub-section (3) of Section 132(3) of the Companies Act, 2017 (**the Act**) read Section 510(2) thereof and Circular No. 10 of 2019 dated July 3, 2019 (**the Circular**).

2. Brief facts of the case are that review of annual audited financial statements for the Financial Year (FY) ended June 30, 2023 of the Company transpired that it failed to:

- a. send Notice of its Annual General Meeting (**AGM Notice**) for FY 2023 dated October 5, 2023 to the Securities and Exchange Commission of Pakistan (**the Commission**) along with copies of newspapers clippings of the said Notice within three (3) days of its publication;
- b. transmit the AGM Notice along with statement under Section 134 of the Act via fax or email through the designated email address to the Commission; and
- c. the Commission vide letter dated February 21, 2024 sought clarification from the Company with respect to the afore-referred violation, in response to which the Company submitted the following through its letter dated February 28, 2024:

“We apologize for non-submission of newspaper clippings of the Notice of Annual General Meeting, which had been overlooked however we are submitting newspaper clippings which kindly accept and we request you to please condone, and in this connection, we assure you that in future we will strictly comply with the requirements.”

3. In view of the above, the Respondents, *prima facie*, contravened the provisions of Clauses (ii) and (iii) of the Circular read with Section 510(2) of the Act. While taking cognizance of the aforesaid non-compliances, the SCN was issued to the Respondents requiring them to show cause in writing as to why penal action may not be taken against them for the said contraventions.

The Respondents, *inter alia*, submitted the following response to the SCN vide letter dated April 29, 2024:



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - I -

"The notice of AGM was dispatched to shareholders, PSX and the Commission along with financial statements for year ended June 30, 2023. The notice was also published in newspapers and uploaded on PUCARS. Further, the annual financial statements submitted online with the Commission also contained notice of AGM. We have always submitted newspaper copy to the Commission but our concerned staff missed to dispatch the same to the Commission.

We assure you that in future this will be duly addressed. You are requested to condone the above lapses this time."

4. In order to accord an opportunity of personal representation to the Respondents, a hearing in the matter was held before the undersigned on June 6, 2024 wherein Mr. Muhammad Waseem of M/s. Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants, 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 29, 2024, admitting the non-compliance with the assertion that failure to submit the AGM Notice for FY 2023 alongside newspaper clippings with the Commission was an inadvertent oversight on part of the Respondents, however, the same was timely disseminated to the members and the public through the Pakistan Stock Exchange (PSX) on October 6, 2023. The Representative further stated that audited financial statements for FY 2023 were disseminated via the PSX on October 9, 2023.

In conclusion, the Representative requested to take a lenient view in the matter considering the afore-narrated facts, coupled with the Company's overall satisfactory compliance history, whilst giving a binding assurance of future adherence to all statutory obligations on behalf of the Respondents.

5. Relevant legal provisions are reproduced as under:

Clause II of the Circular:

"A copy of newspaper in each language, in which notice of general meeting was published, along with statement under section 134 of the Act, where applicable, shall be filed with the SECP within three days of publication."

Clause III of the Circular:

"Notice of general meeting, along with statement under section 134 of the Act, where applicable, shall also be transmitted to the SECP through fax or email at the email address general.meetings@secp.gov.pk."

Sub-section (2) of Section 510 of the Act:

"Any person, who obstructs or contravenes or does not comply with any directive, prudential requirements, codes, circulars or notifications, given under this section shall be liable to a penalty of level 3 on the standard scale."

6. I have reviewed the facts of the case, considered the written and verbal submissions made by the Respondents and the Representative in light of the applicable legal provisions and state that:



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - 2 -

- a. The main objective of regulatory requirements for disseminating the AGM Notice is ensuring that the shareholders and stakeholders are adequately informed about the forthcoming general meeting and can participate effectively. If a listed company has disseminated the AGM notice through the PSX in a timely manner, it has fulfilled this core objective by ensuring stakeholders are informed;
- b. While sending the AGM Notice to the Commission is a regulatory requirement, timely dissemination through the PSX can be viewed as an effective means of achieving the same regulatory intent, viz. the primary goal of timely and transparent communication has been met. Timely dissemination of AGM Notices through the Stock Exchange ensures transparency and enables stakeholder engagement. The PSX serves as the key and accessible platform for investors and stakeholders to receive vital information to make informed decisions;
- c. The Respondents have asserted that the omission to send the AGM Notice to the Commission was neither deliberate nor intentional on their part, and acted in good faith by virtue of timely disseminating the AGM Notice through the PSX, thereby accentuates their commitment to regulatory compliance. The key stakeholders were informed in a timely manner and there was no adverse effect on their ability to participate in the AGM; and
- d. It has been observed that the Company has timely disseminated the AGM Notice 21 days prior to the general meeting for FY 2023 to all stakeholders through the PSX on October 6, 2023. In addition, the Respondents have given a binding assurance of their commitment to future adherence to all applicable laws.

7. In view of the preceding facts, while no penalty is imposed, I hereby conclude the proceedings with a warning to the Respondents reminding them to adhere to their fiduciary duties and responsibilities towards all stakeholders. The Respondents are also advised to ensure meticulous compliance with their statutory obligations which includes sending AGM notices along with newspaper clippings to the Commission as mandated under the Circular, and warrant all practical efforts to prevent any non-compliance moving forward.

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

SHAHZAD AFZAL KHAN
Director/Head of Department
Adjudication Department – I

Announced:
June 28, 2024
Islamabad