



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

ORDER	
Name of Company:	M/s BECO Steel Limited
Show Cause Notice No. & Date:	No. CSD/ARN/39/2023-380 dated June 28, 2024
Respondents:	(i) Mr. Muhammad Zain-ul-Afaq, Chairman; (ii) Mr. Muhammad Ali Shafique Chaudhry, Director; (iii) Ms. Afifa Shafique, Director; (iv) Mr. Muhammad Hashim Tareen, Director; (v) Mr. Mahmood Aslam, Director; (vi) Mrs. Shabana Shafique, Director; (vii) Ms. Eman Shafique; and (viii) M/s BECO Steel Limited
Date of Hearing(s):	(i) September 19, 2024; (ii) October 11, 2024; (iii) November 20, 2024; (iv) March 12, 2025; (v) March 21, 2025; and (vi) April 10, 2025.
Case represented by:	Mr. Muhammad Asif; Legal and Corporate Consultant (As the Authorized Representative)
Provision of law involved:	Section 227 read with Section 479 of the Companies Act, 2017
Date of Order:	May 07, 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/39/2023-380 dated June 28, 2024 (“SCN”) against M/s BECO Steel Limited (the “Company”) and its Board of Directors including the Chief Executive Officer (“CEO”), hereinafter collectively referred to as (the “Respondents”), issued under Section 227 read with Section 479 of the Companies Act, 2017 (the “Act”).

2. The provisions of sub-section (2) of Section 227 of the Act mandates the public companies or private companies that are subsidiaries of public companies, to prepare and attach to the financial statements, a director's report including, amongst others a description of the principal activities, development, and performance of the business, an outline of principal risks and uncertainties, details of any changes in the nature of the company's business or its subsidiaries, an explanation regarding any modifications in the Auditor's Report, and the reasons for any losses incurred during the year, along with the company's future prospects for profit.

3. Moreover, the non-compliance of the aforementioned provisions of Section 227(2) of the Act, attracts a penal action under Section 227(6)(a) read with Section 479 of Act as whoever contravenes or fails to comply with any provisions of Section 227 of the Act shall be liable to a penalty of level 2 on the standard scale.

4. Brief facts of the case are that the, review of the annual report for the fiscal year ended June 30, 2023, revealed that the directors' report, appended to the annual report, was deficient in following essential disclosures as mandated under Section 227 (2) of the Act:

- The information and explanation in regard to any contents of modification in the auditor's report;
- The reasons for loss if incurred during the year and future prospects of profit, if any;
- The principal activities and the development and performance of the company's business during the financial year;
- A description of the principle risks and uncertainties facing the company;
- Any changes that have occurred during the financial year concerning the nature of business of the company or its subsidiaries or any other company in which the company has interest;

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5. In order to probe the matter, the Commission, vide letter dated January 09, 2024, sought an explanation from the Company regarding its failure to provide the required disclosures. In response, the Company, through its reply dated March 06, 2024, *inter alia*, submitted that:

"The lack of explanation in the director's report is purely an oversight. We sincerely regret an oversight on our part and acknowledge the importance of compliance with all statutory obligations."

6. Having being not satisfied with the aforesaid response, SCN was served upon the Respondents, requiring them to show the cause as to why a penal action as provided under sub-section (6) of the Section 227 of the Act, may not be taken against them for the aforementioned contravention of the law. However, the Respondents did not prefer to submit any response to SCN.

7. In order to provide an opportunity of personal representation, hearings in the matter were fixed for September 19, 2024, November 20, 2024, October 11, 2024 and March 12, 2025 which were adjourned due to non-appearance of the Respondents. Later, a final hearing opportunity of personal representation was provided to the Respondents by fixing the hearing on March 21, 2025. However, the same was again adjourned upon request of the Respondents. Subsequently, the CEO of the Company vide letter dated April 04, 2025 made a written submission and apologized for the oversight in terms of lacking of the contents of the directors' report and requested to condone the unintentional omission.

8. In order to meet the ends of justice and to provide a final opportunity of being heard to the Respondents, hearing in the matter was fixed on April 10, 2025, where Mr. Muhammad Asif-Legal & Corporate Consultant appeared on the behalf of the Respondents as their Authorized Representative (**the "Authorized Representative"**) and, *inter alia*, stated that:

- (i) The company was undergoing significant changes, which resulted in an oversight;
- (ii) Default under the provisions of law is admitted and lenient view is requested; and
- (iii) Future Compliance is ensured as it is also evident from the Director's report annexed with the annual Audited financial statements for the year ended June 30, 2024.

9. I have gone through the relevant provisions of Section 227 of the Act, and considered the facts of the case along with the available record of the Company as well as written and verbal submissions of the Respondents. I have also perused Section 227(6) of the Act, which stipulates penal provisions for contravention of the afore-referred provision of law. I have noted that the Respondents, despite being obligated to provide necessary disclosures in the director's report as required under Section 227 of the Act, failed to do so and the same has also been admitted by the Respondents in the response to the SCN through letter dated April 04, 2025 as well as by the Authorized Representative during the hearing.

10. The cruciality of the role of board of directors in ensuring accurate and timely provision of information to the concerned stakeholders cannot be overemphasized. In 2013 CLD 706, the fundamental duty of directors was held as *"...The directors in addition to the day to day running of the company and the management of its business, also have 'fiduciary duties' i.e. duties held in trust and some wider duties imposed by statute...hence the directors are gauged against a higher standard of accountability which requires them to be vigilant and perform their duties with due care. In the instant case, the directors have failed to perform their duties with due care and prudence. As the directors are supposed to be well aware of their legal obligations..."* In 2014 CLD 299, it was held that *"...the appellants did not exercise due skill and care required of them as directors of the Company at the time of submission of accounts. The default, therefore, would be considered as willful..."* Similarly, in 2014 CLD 263 [Appeal No. 02 of 2012 decided on September 11, 2013], therefore, any excuse based on oversight does not absolve the Respondents of their fiduciary duty to keep stakeholders properly informed.

11. It is pertinent to note that the directors' report is a key communication tool that provides shareholders with a comprehensive overview of the company's financial performance, strategic direction, and governance practices and also serves as a transparent disclosure of the company's activities, financial health, and future plans, allowing shareholders to make informed decisions about their investments. The directors' report provides an opportunity for the company to highlight its achievements and challenges and is a tool to ensure that the

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company's leadership is aligned with the interests of its shareholders and other stakeholders, including employees, creditors, and regulators. while also. It is also observed that the directors' report plays a vital role in enhancing corporate transparency, strengthening stakeholder confidence, and promoting good governance practices and while offering stakeholders insight into how the directors adheres to their fiduciary responsibilities and complies with legal requirements, fosters accountability and trust.

12. In view of the above, the aforesaid contravention of sub-section (2) of the Section 227 of the Act has been established beyond doubt, which attracts penal action as provided under Section 227(6) of the Act. I, therefore, in exercise of the powers conferred upon me under sub-section (6) of Section 227 of the Act read with Section 479 thereof and S.R.O. 737(I)/2023 dated June 12, 2023, hereby impose an aggregate penalty of **Rs. 140,000 (Rupees one Hundred and Forty Thousand)** on the Respondents in the following manner:

Sr. No.	Name of Respondent(s)	Penalty (Rs.)
1.	Mr. Muhammad Zian ul Afaq	20,000
2.	Mr. Muhammad Ali Shafique Chaudhry	20,000
3.	Ms. Afifa Shafique	20,000
4.	Mr. Muhammad Hashim Tareen	20,000
5.	Mr. Mahmood Aslam	20,000
6.	Ms. Shabana Shafique	20,000
7.	Ms. Eman Shafique	20,000
Total		140,000/-

Moreover, the proceedings in the instant matter, as initiated against the Company vide SCN, are hereby dropped on account of not being a person of interest. The Respondents are also advised to remain vigilant and to ensure meticulous compliance of applicable legal and regulatory requirements in future.

13. The Respondents 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 penalty/fines as arrears of land revenue pursuant to provision of Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997.


07-05-2025

Sohail Qadri
Director/ HOD
Adjudication Department-I

Announced:
May 07, 2025
Islamabad.

