



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/39/2023-382 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 & Corporate Advisor (Authorized representative on the behalf of Respondents)
Provision of law involved:	Section 246 read with Sections 252 and 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/39/2023-382 dated June 28, 2024 ("SCN") against M/s BECO Steel Limited (the "Company") and its Board of Directors including the Chief Executive Officer (the "CEO"), hereinafter collectively referred to as the "Respondents", issued under Section 246 of the Companies Act, 2017 (the "Act") read with Sections 252 and 479 thereof.

2. The provisions of sub-section (6) of Section 246 requires that any mid-term casual vacancy in the office of an auditor, whether due to resignation, disqualification, or any other reason, shall be filled by the Board of Directors of the company (the "BoD") within thirty days from the date it arises and the auditor appointed to fill such a vacancy shall hold office until the conclusion of the next annual general meeting. Further in case the vacancy arises due to the removal of the auditor before the completion of their term, the Board shall appoint a new auditor only with prior approval of the Commission.

3. Moreover non-compliance of the aforementioned provision of Section 246 of the Act attracts a penal action under Section 252 of the Act read with Section 479 thereof as any contravention or default in complying with the requirements of Section 246 shall be an offence liable to a penalty of level 3 on the standard scale.

4. Brief facts of the case are that the review of the annual audited financial statements of the Company for the fiscal year ended June 30, 2023 (the "Accounts") revealed that the Company, in its Extraordinary General Meeting held on July 10, 2023 (the "EOGM"), removed its statutory auditors, M/s. Tariq Abdul Ghani Maqbool & Co., Chartered Accountants, prior to the expiry of their term. Subsequently, the Company appointed M/s Sheikh & Chaudhry, Chartered Accountants as the new statutory auditors without obtaining prior approval from the Commission

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 obtain prior approval from the Commission for filing in the casual vacancy in the office of the external auditor. In response, the Company, through its reply dated March 06, 2024, *inter-alia*, submitted that:

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"Because our half-yearly and quarterly accounts were delayed in order to meet the requirement of Section 220 of the Companies Act, 2017. These delays hampered our financing reporting timelines, slowed decision-making processes, and caused unnecessary stress and disruptions. To address this situation, the Company's management held a Board meeting where they presented the profile of the new External auditor, M/s. Sheikh & Chaudhry, Chartered Accountants, and made appointment with the approval of the Shareholders. Compliance with Section 246(6) of the Act was an oversight/omission, which is deeply regretted."

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 Section 252 read with Section 479 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 on March 21, 2025. However, the same was again adjourned upon the request of the Respondents. Subsequently, the CEO of the Company vide letter dated April 04, 2025 made written submissions and apologized for the oversight, requested to condone the unintentional omission and, *inter-alia*, submitted that:

"Due to non-professional and non-cooperative behavior and un-due demands from management partner of the then statutory auditors M/s. Tariq Abdul Ghani Maqbool & Co; the Board of Directors of the Company decided to remove the Auditors. Therefore, being responsible listed Company and in the best interest of the shareholders, the Board conveyed an emergent Board meeting on June 14, 2023 to consider for the change and removal of said Auditors."

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) *Behavior of the previous external auditor i.e. M/s. Tariq Auditor's behavior was exploitative and was continuously demanding an increase in the audit fee, therefore, they were removed from office and new external auditor M/s. Sheikh & Chaudhry were appointed on July 10, 2025; and*
- (ii) *Obtaining prior approval of the Commission was inadvertently missed; default of the requirements of law is admitted and a lenient view is requested.*

9. I have gone through the relevant provisions of sub-section (6) of the Section 246 of the Act and considered the facts of the case along with available record of the Company as well as written and verbal submissions of the Respondents. I have also perused Sections 252 and 479 of the Act, which outlines the penal provisions for the contravention of the aforementioned legal provisions. It is important to note that obtaining the Commission's prior approval before filing in the casual vacancy in the office of external auditor created due to removal of previous external auditor before expiry of its term is essential to prevent arbitrary removal of auditors and aims to ensure that the appointment of a new auditor is conducted in a lawful, independent and fair manner.

10. External auditors play a critical role in providing an independent and objective assessment of a company's financial health. The independence of external auditors is essential to the credibility of financial statements of the companies, for the trust of shareholders, creditors, and regulators. It is imperative to note that the requirement of obtaining prior approval of the Commission for filing the casual vacancy in the office of external auditor, in cases where the previous external auditor was removed by the board of the company before expiry of its term of office, is a vital safeguard for ensuring transparency and accountability in the process. The oversight by the Commission in the process of auditor removal and filing the casual vacancy so created is introduced to avoid the risks that such a decision by the company management is not driven by ulterior motives—such as an attempt to suppress unfavourable audit findings or to appoint a more pliant auditor.

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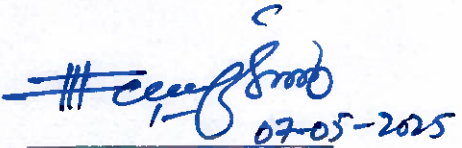
11. It is observed that the requirement of law relating to prior approval has introduced a regulatory check that discourages arbitrary or retaliatory removal of auditors and allows the Commission to assess whether the proposed change is legitimate and in the best interest of all the stakeholders. Moreover, such an oversight mechanism promotes integrity in the auditing process and reinforces investor confidence in the financial reporting ecosystem and provides stringent protections around the appointment and removal of external auditors to ensure their independence and effectiveness.

12. In view of the above, the aforesaid contravention of provisions of sub-section (6) of Section 246 has been established beyond doubt and the same has also been admitted by the Respondents, which attracts penal action as provided under Sections 252 and 479 of the Act, I, therefore, in exercise of the powers conferred under Section 252 of the Act read with Section 479 thereof, hereby impose an aggregate penalty of **Rs. 70,000/- (Seventy Thousand Only)** on the Respondents on account of the aforesaid established default in the following manner;

Sr. No.	Name of Respondent(s)	Penalty (Rs.)
1.	Mr. Muhammad Zian ul Afaq	10,000
2.	Mr. Muhammad Ali Shafique Chaudhry	10,000
3.	Ms. Afifa Shafique	10,000
4.	Mr. Muhammad Hashim Tareen	10,000
5.	Mr. Mahmood Aslam	10,000
6.	Ms. Shabana Shafique	10,000
7.	Ms. Eman Shafique	10,000
	Total	70,000

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.


Sohail Qadri
Director/ HOD
Adjudication Department-I

Announced:
May 07, 2025
Islamabad.

