



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/39/2023-381 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, 2025; (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 (As Authorized representative)
Provision of law involved:	Sections 512(2) and 479 of the Companies Act, 2017 read with Companies (Postal Ballot) Regulations, 2018
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/39/2023-381 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 Sections 512(2) and 479 of the Companies Act, 2017 (the “Act”) read with Companies (Postal Ballot) Regulations, 2018 (the “Regulations”).

2. The provisions of regulation 4(1) of the Regulations obligates the Company to provide its members the right to vote through postal ballot, in accordance with the provisions of Sections 143 and 144 of the Act. Additionally, sub-clause (A) of regulation 4(1) also mandates every listed company to offer its members the option to vote either electronically or by post for all matters classified as special business under the Act.

3. Moreover, the provisions of regulation 8(2) of the Regulations requires the listed company to publish the ballot paper along with the relevant information as specified in sub-regulation (1) in newspapers and also upload the same on its website not later than seven days prior to the date of the general meeting; in cases where an option of voting through ballot paper is provided in addition to e-voting.

4. The non-compliance of the aforementioned provisions of regulation 4 and 8 of the Regulations, attracts a penal action under regulation 11(B) thereof which provides that whosoever fails of refuses to comply with, or contravenes regulations 4 and 8 of the Regulations, or authorizes or permits such failure, refusal or contravention shall be punishable with penalty as provided under sub-section (2) of Section 512 of the Act, which provides that any regulation made under sub-section(1) may provide that a contravention thereof shall be punishable with a penalty which may extend to five million rupees and where the contravention is continuing one, with a further penalty which may extend to one hundred thousand rupees for everyday after the first day of which such contravention continues.

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5. Brief facts of the case are that the review of annual audited financial Statements of the Company for the fiscal year ended June 30, 2023 (the "Accounts"), revealed that the Company in its Annual General Meeting held on December 30, 2024 (the "AGM"), got approved its transactions with associated companies. However the Company failed to provide a postal ballot facility along with e-voting to its members for such special businesses. Further, the Company neither published the postal ballot in newspapers nor uploaded the same on its website, contrary to the requirements of regulation 4 and 8 of the Regulations.

6. 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 facility of postal ballot. In response, the Company, through its reply dated March 06, 2024, *inter alia*, submitted that:

"We sent postal ballot papers and notices of the Annual General Meeting to all shareholders of the Company who were on the list of registered shareholders when the business closed. However, no one responded to us following their signatures."

7. 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 (2) of the Section 512 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.

8. 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 written submissions and informed that the relevant agenda item of AGM provided for approval of transactions carried out in normal course of business with associated companies and for authorizing the CEO to approve the same and, *inter alia*, submitted that;

"Seeking shareholder approval for conducting normal course of business transactions with associated undertakings/related parties at arms -length price is not mandatory. Rather, this agenda item forms part of the approval of the annual accounts. Therefore, we believe that since the referred agenda item was not considered special business, but rather an ordinary business, the postal ballot regulations do not apply in this case."

Additionally, we would like to inform you that despite the aforementioned facts, the Company has still dispatched the postal ballot along with the GM notices to all shareholders. It is requested that any errors or omissions that may have occurred be condoned."

9. 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) Scrap was purchased from the associated company that was being wound up and purchasing of such scrap is a normal business activity;
- (ii) The business transacted at the AGM was an ordinary course of business;
- (iii) The postal ballot was dispatched along with the AGM Notice sent to the members. However the same were not uploaded on the website and were neither published in newspaper nor placed on Pakistan Stock Exchange. Furthermore no response from any member was received; and
- (iv) Non-compliance was not intentional, therefore, a lenient view is requested.

10. Subsequently, the CEO of the Company vide letter dated April 14, 2025 further informed that *all the purchases include iron and steel remeltable scrap which is part of the raw material that is purchased by the Company.*

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CEO Board
07-05-2025

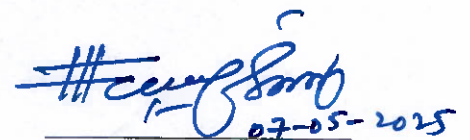
11. I have gone through the relevant provisions of regulations 4(1) and 8(2) of the Regulations and considered the facts of the case along with the available record of the Company as well as written and verbal submissions of the Respondents. I have also perused Section 512(2) of the Act, which outlines the penal provisions for the contravention of the aforementioned legal provisions. It is noted that non-provision of postal ballot facility to the members undermines the right of members as prescribed under Regulation, as the postal ballot is essential for ensuring shareholder participation, especially for those unable to attend the AGM. It provides a means for remote voting on key decisions, promoting inclusivity and transparency. This process is particularly important for matters requiring special resolutions, as it helps safeguard shareholder interests and upholds corporate governance.

12. The Authorized Representative's assertion that the Company's transaction with the associated company falls within the ordinary course of business and does not require shareholder approval is not tenable. It is observed that the Agenda No.5 of the AGM Notice clearly stated that "*majority of directors are interested in these transactions due to their common directorship in the subsidiary/associated companies*". It is pertinent to note that Section 208 of the Act, clearly requires the Company to place the related party transactions before the general meeting for approval, in cases where majority of directors are interested. Guidance in this regard can also be taken from sub-section (2) of Section 207 of the Act, which explicitly mandates that all such contracts or arrangements entered with or to be entered on behalf of the Company where majority of directors are interested, shall be placed before general meeting for approval. It is also noted the Respondents could not substantiate their argument of circulating the Postal Ballots along with the notice of the AGM through any relevant documentation or other verifiable evidences.

13. It is observed that the Respondents failed to substantiate, through justifiable evidences, its argument that the purchase of scrap from an associated company that was being wound up is a normal course of business and executed on arm's length basis. It is further observed that obtaining approval before transacting with associated companies from members is crucial to ensure transparency, preventing conflict of interest and safeguarding interest of all shareholders especially minority shareholders. The common directorship or control, in case of associated companies, creates an inherent risk that the transaction with associated companies may not be conducted at arm's length basis.

14. In view of the above, the aforesaid contravention of provisions of regulations 4(1) and 8(2) has been established beyond doubt, attracts penal action as provided under Section 512(2) of the Act. I, therefore, in exercise of the powers conferred upon me under sub-section (2) of Section 512 of the Act, hereby impose an aggregate penalty of **Rs. 100,000/- (Rupees One Hundred Thousand only)** on the Company i.e. **M/s BECO Steel Limited** and warn the remaining Respondents to be careful and to ensure the compliance of applicable regulatory framework in letter and spirit.

15. 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.

