



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of Company:	Chenab Limited
Show Cause Notice No. & Date:	No. CSD/ARN/516/2017-721 dated December 18, 2024
Respondents:	(i) Mr. Muhammad Naeem, Chief Executive/Director; (ii) Mr. Muhammad Salman Javed, Director; (iii) Mian. Muhammad Latif, Director; (iv) Mr. Maqsud Ul Hassan, Director; (v) Ms. Sobia Chughtai, Director; (vi) Mian Muhammad Javed Iqbal, Director; (vii) Mr. Muhammad Hashim; (viii) Mr. Tariq Ayub Khan, Director; (ix) Mr. Muhammad Faisal Latif, Director; and (x) Mr. Faisal Ali Sarwar, Chief Financial Officer
Date(s) of Hearing(s):	(i) January 9, 2025; (ii) January 24, 2025; and (iii) February 10, 2025
Case represented by:	Mr. Rashid Sadiq (As Authorized Representative)
Provision of law involved:	Section 237 read with Section 479 of the Companies Act, 2017 and Circular 11 of 2023 dated August 11, 2023
Date of Order	May 16, 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/516/2017-721 dated December 18, 2024 (the “SCN”) against the Board of Directors (the “BOD”) and Chief Financial Officer (the “CFO”) of M/s Chenab Limited (the “Company”) hereinafter collectively referred to as the “Respondents” under Section 237 read with Section 479 of the Companies Act, 2017 (the “Act”) and Circular No. 11 of 2023 dated August 11, 2023 (the “Circular”).

2. The provisions of sub-section (1) of Section 237 of the Act require all public listed companies to prepare its quarterly financial statements within thirty days of the close of their first and third quarters of their year of accounts and within sixty days of the close of their second quarter of their year of accounts. Sub-section (2) of Section 237 of the Act requires the listed companies to post on their website quarterly financial statements for information of members and also electronically transmit the same to the Commission, securities exchange and with the registrar within the period specified under sub-section (1).

3. The brief facts of the case are that the Company being a public listed company was required to electronically transmit its first quarterly financial statements for the quarter ended September 30, 2024 with the Commission / registrar, and post the same on its website, within thirty (30) days of the close of the said quarter i.e. latest by October 30, 2024. However, as per the relevant record of the Commission, it has *prima facie* failed to file/transmit the aforesaid quarterly financial statements with the Registrar/Commission.

4. As per the requirements of the Circular, all listed companies are *inter alia* required to file their quarterly financial statements (“QFS”) through eService/eZfile of the Commission, and such filing is considered as compliance of Section 237(2) of the Act with respect to filing/transmission of QFS to the Commission / registrar. Failure to Comply with the mandatory provisions of Section 237 of the Act attracts penal action as provided under Section 237(4) of the Act. The relevant provisions of law are reproduced hereunder:

“237. Quarterly financial statements of listed companies. — (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).

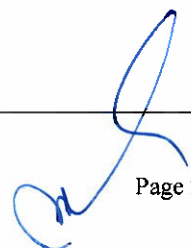
(3)

(4) 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.”

5. Taking cognizance of the alleged violation of law, a SCN was served upon the Respondents on December 18, 2024 to show cause in writing as to why a penal action may not be taken against them for non-compliance of the requirements of Section 237 of the Act read with the Circular. In response to the SCN, authorizing instrument in favor of Mr. Rashid Sadiq, CEO/Managing Partner, RS Corporate Advisory (**Authorized Representative**) was received via email dated January 7, 2025. However, no written response to the SCN was submitted.

6. In order to provide an opportunity of being heard to the Respondents, hearing in the matter was first fixed for January 09, 2025, however, the hearing was adjourned upon request of the Authorized Representative of the Respondents vide email dated January 7, 2025 and was rescheduled for January 24, 2025. Thereafter, the Authorized Representative of the Respondents, through another email dated January 23, 2025 sought further adjournment of the hearing. In order to meet the ends of justice and to provide a fair opportunity of being heard to the Respondents, hearing in the matter was then re-fixed for February 10, 2025 which was attended by the Authorized Representative, wherein, *inter alia*, he asserted that:

- (i) The Honorable Lahore High Court (**the Court**) vide its order dated July 13, 2017, Ordered the winding up of the Company, accordingly official liquidator was appointed who took over the place of the BOD and the CEO.
- (ii) Thereafter, the Court vide its order dated October 29, 2021 recalled the earlier winding up order (i.e. Order dated July 13, 2017).
- (iii) Delay in transmitting the QFS was beyond the control of the Respondents who made all out efforts to first hold the five (5) overdue annual financial statements and QFS which were due during the period the Company was under the control of the liquidator and thereafter, all remaining overdue annual financial statements and QFS for the years preceding years.
- (iv) The liquidator did not submit a single financial statement during the five years of controlling the Company, resulting in delays in preparing and filing/transmitting the QFS for the preceding years. However, the Company has now addressed this backlog by successfully preparing and filing/transmitting all the QFS including the QFS for the quarter ended September 30, 2024 and assured that such delays will not occur in the future.
- (v) The Authorized Representative submitted that the Company prepared and filed/transmitted the QFS for the period ended on September 30, 2024 on January 14, 2025 with a delay and assured that such delays will not occur in the future. He further added that the QFS for the subsequent quarter i.e. for the period ended December 31, 2024 is being prepared and will be filed and transmitted in a timely manner as per the requirement of Law.



7. Subsequent to the hearing, the Authorized Representatives through letter dated March 24, 2025 inter alia also submitted as follows:

- (i) The Court ordered winding up of the Company through Order dated July 13, 2017 and the official liquidators took over the place of the board and chief executive of the Company in terms of Section 387 of the Act. During the pendency of the above petition, a scheme of arrangement was agreed upon by the contributories of the Company with the secured creditors for revival of the Company and the said scheme was sanctioned by the Court through its order dated September 14, 2021. Subsequently, the contributories filed an application before the Court under Section 313 of the Act seeking recall of the winding up order which was allowed by the Court vide its order dated October 29, 2021 and directed the liquidators to hand over the assets of the Company to the management.
- (ii) In terms of Section 368 of the Act, it was the duty of the liquidator to prepare annual and interim financial statements consisting of statement of financial position and the receipt and payment accounts, auditor's report and the liquidators report on the acts, dealings and the conduct of the Company's winding up till the assets and record of the Company are handed over to the BoD/ Company's management. Unless liquidator prepare financial statements for the period when the Company was in their possession, the subsequent period financial statements cannot be prepared. The liquidator was responsible for preparation and filing of accounts till November, 2021 and the interim financial statements cannot be prepared unless previous annual financial statements are prepared, it has also been held in the recent judgment of the Commission in the matter of World Call Telecom Limited dated 11 March, 2022.
- (iii) The Company is a listed company, it is of paramount importance that the quarterly results released on the Pakistan Stock Exchange Limited ("PSX") where the Company is listed reflect an accurate picture of the financial health of the Company. Rule 5.6.7(b) of the PSX Rulebook provides that "In case a Listed Company or Issuer of a Listed Security fails to communicate accurate and complete financial results, or any other price sensitive information in a timely manner, the CEO as well as CFO of such Listed Company or Issuer will be liable to pay a penalty of a minimum PKR 100,000/(Rupees one hundred thousand only) and a maximum penalty of up to PKR 1,000,000/- (Rupees one million only) to be determined by the Exchange. Provided that in case of continuing contravention with respect to communication of complete and/ or accurate financial results or non-compliance with the directions issued by the Exchange, an additional amount of penalty amounting to PKR 10,000/- for every day after the first day during which such contravention or default continues, may be imposed by the Exchange."
- (iv) The Respondents after utmost efforts has been able to clear the backlog of annual and quarterly financial statements related to period when the Company was under control of liquidators and for the periods thereafter. QFS for the quarter ended September 30, 2024 were prepared and filed/transmitted on January 14, 2025 and for the subsequent period ended December 31, 2024 on February 28, 2025. The annual financial statements for the year ended June 30, 2024 were approved in Annual General Meeting (AGM) held on December 27, 2024, therefore, filing of QFS for the period ended September 30, 2024 on or before that date was not possible. This position is recognized by SECP itself in Appeal No. 79 of 2019 through Order dated December 30, 2022, whereby the Appellate Bench of the Commission held that: *"The Bench is of the view that the Annual Accounts were approved on May 31, 2019, therefore, preparation and filing of Quarterly Accounts on or before April 31, 2018 was not possible. The Bench is of the view that delay in approval of the Annual Accounts in the AGM has inevitably caused delay in filing of the Quarterly Accounts."*

The Authorized Representative also referred to case law from the superior judiciary, highlighting the importance of the principle of equality. He further cited the Commission's orders condoning delays in the filing or transmission of QFS, as well as judicial precedents which emphasize that stringent penal provisions may only be applied where there is a substantial finding of guilt and established willful non-compliance.

8. I have gone through the relevant provisions of Section 237 of the Act and the requirements of the Circular, and considered the facts of the case, available record of the Company, as well as written and verbal submissions of the Respondents and the Authorized Representative. I have also perused Section 237(4) of the Act, which stipulates penal provisions for contravention of the afore-referred provisions of law. I have noted that in terms of Section 237(2) of the Act, every listed company is required to file/transmit its QFS within

thirty (30) days from the date of close of its first quarter of its year of accounts or within the extended period/time frame. Accordingly, in light of the fact that the Company neither applied for any extension as per available provisions of the law nor any direction was passed by the Commission, the Company was required to prepare, and file/transmit its QFS for the period ended September 30, 2024 by October 30, 2024 without fail, which the Company has evidently failed to comply with. QFS are a crucial source of information for the stakeholders, especially shareholders, of a public listed company. It provides timely insights into a company's financial performance and such information is essential for assessing the company's overall financial health.

9. The provisions of Section 237 of the Act unambiguously and explicitly obligate the Company to file/transmit its QFS in a timely manner. In this respect, reliance is placed on an Order passed by the Appellate Bench of the Commission on March 01, 2023 (*in Appeal No. 73 of 2022- Gulistan Textile Mills Limited, vs. SECP*), whereby it was held that a public listed company has higher responsibility to disseminate true and accurate state of affairs to all the stakeholders in a timely manner so that they may take appropriate decisions. In another case cited as 2024 CLD 672 [*Appeal No. 77 of 2021 decided on August 25, 2023*], the Appellate Bench of the Commission held that "...interim financial statements prepared accurately and in timely manner, provide a reliable source of information regarding a company's financial position and performance to its users, besides illustrating regarding the results of the management's stewardship of resources entrusted to it..." The significance of transmitting quarterly financial statements of a listed company in a timely manner is also echoed in 2024 CLD 635 – Appeal No. 78 of 2021 decided on August 25, 2023, and 2024 CLD 415 – Appeal No. 97 of 2020 decided on August 25, 2023.

10. It is further observed that the Respondents cannot absolve themselves from the statutory duties pertaining to preparation and filing of QFS in a timely manner as specified under the law on account of earlier appointment of liquidator as for all practical purposes the Respondents took back the possession of the Company in November 2021 and thereafter enjoyed exclusive control of the Company and its management. Therefore, the Respondents' contention that the delay in the preparation and filing of financial statements by the official liquidator and the pendency of meetings during the period of appointment of the liquidator (*alleged default of the liquidator to comply with the requirements of Section 368 of the Act*) solely have caused the delay in preparation, filing / transmission of QFS in the instant matter does not carry sufficient strength, especially after the lapse of almost three and a half years since the Respondents have taken back the affairs of the Company.

11. With regard to contention regarding the requirements of the PSX Rule Book, it may be noted that the instant proceedings are not initiated in terms of the rule 5.6.7(b) of the PSX Rulebook rather are under Section 237 of the Act, which, inter alia, requires that the QFS are required to be filed/transmitted with the Commission/Registrar in a timely manner. It is, therefore, statutory obligation of the Respondents to ensure compliance of the applicable provisions of the Act read with the Circular.

12. The contention of the Respondents that they have cleared the backlog of financial statements with utmost effort does not absolve them from non-compliance with statutory timelines. The QFS for the period ended September 30, 2024 were admittedly submitted on January 14, 2025, with a delay of 75 days (i.e. two (2) and half months), well beyond the prescribed period under the law. The argument that QFS for the subsequent quarter ended on December 31, 2024 were prepared and filed/transmitted on time is not relevant to the current proceedings. Furthermore, compliance in respect of subsequent period cannot be used to justify or negate the consequences of prior violation. The law mandates timely filing of quarterly financial statements, and the delay in question clearly constitutes a breach of statutory obligations. The assertion that the company was previously under the control of liquidators does not extend blanket immunity to the Respondents for future non-compliance, particularly for periods where the Respondents had full operational control. Therefore, the delay of two and half months in filing the QFS for September 30, 2024 remains a material violation, warranting regulatory cognizance and appropriate penal action under the relevant provisions of law.

13. The Respondent relies on *Appeal No. 79 of 2019 (Agritech Ltd. vs. SECP)* to assert that QFS cannot be prepared without prior approval of annual financial statements from the shareholders. The appeal in Agritech Ltd. was specific to the facts of that case and cannot be broadly applied as a general precedent to excuse non-compliance in unrelated circumstances. The cited order does not establish a general principle, as the decision in the said case was based on **specific circumstances**, namely the existence of an injunctive order which legally prevented the Commission from taking coercive action. Whereas, in the present case, no such



injunctive order exists that legally prohibited the timely filing of the QFS. Therefore, the reliance on Agritech Ltd case is misplaced and does not provide a valid justification for the delay.

14. The Authorized Representative's reliance on cited precedent cases is neither applicable nor relevant to the facts of this case. In this regard it is important to understand that every case has its own peculiar facts and circumstances, therefore, decisions of past cases cannot be mechanically applied to this case. In instant matter, the Respondents have failed to comply with the requirements of Section 237 of the Act, whereas, in cited case law of Nishat Mills Limited, 2017 CLD 686, Appeal No. 29 of 2016, Worldcall Telecom Limited, K-Electric Limited, Citi Pharma Limited, Burshane LPG (Pakistan) Limited, AGP Limited, Mandviwalla Mauser Plastic Industries Limited, Husein Industries Limited the facts of cases were different. In view thereof, *ratio decidendi* of the cases relied upon by the Respondents has no bearing on the merits and facts of this case.

15. The Authorized Representative has also referred case laws cited as 2011 PLD 778, Appeal No 26 of 2015 and Appeal No 44 of 2014, to build an argument that before proceeding in the instant matter, the Commission was required to establish substantial findings of guilt against the Respondents. However, the mentioned case law and its facts are different from the case at hand. In the stated case laws there was the requirement to establish a willful default under Section 222, 223 and 224 of the Companies Ordinance, 1984, however, no such requirement is applicable in this case as relevant provision of Section 237(4) of the Act is reproduced here under:

"(4) 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."

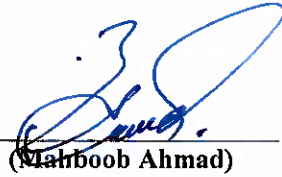
16. Further while deciding Appeal No. 73 of 2022 in the matter of Gulistan Textile Mills Limited vs. SECP against the order passed under Section 237 of the Act, the Appellant Bench of the Commission, inter-alia stated that: *"If a company's financial statements are not available to the stakeholders within the stipulated time prescribed in law, then its Board is responsible for such default and liable to penal consequences"*. Moreover, in the matter of Appeal No. 11 of 2021 Dadabhoj Cement Industries vs. SECP, the Appellate Bench of the Commission, inter-alia, stated that: *"The Bench is of the view that Public listed companies have a higher and more significant responsibility towards their stakeholders and are obligated to act in their interest. The law has made it obligatory for the Company to file the Accounts with the Commission within the stipulated time period, however, it has failed to comply with the express provision of the Act."* It is pertinent to iterate that every case has to be decided on its own merits and facts, which substantiates that mechanical application is neither required nor mandatory. The cases highlighted in the replies of the Respondents were decided by the adjudicating authorities on peculiar facts and mitigating factors as available. Moreover, the decided cases are not binding in the instant matter.

17. In the context of the Authorized Representative argument for equal treatment on the basis of binding precedents for just and fair dispensation of justice, it is stated that every case has distinct facts and circumstances, therefore, decision in one case may not be treated as binding precedent for other cases. Furthermore, in the recent judgement of the Islamabad High Court in the case of M/s. PKP Exploration Limited vs Federal Board of Revenue (PTD 2021, 1644), it was held that decisions of quasi-judicial forums in one case is not binding for other similar cases before such tribunal. For reference relevant abstract of the judgement is reproduced below:

"13..... Given that it is an adjudicatory forum of a quasi-judicial nature established by statute, it is vested with no inherent power..... The consequences of the decision of the Tribunal are limited to the case it decides and do not travel beyond the four corners of the subject-matter before it in appeal. In other words, neither the Constitution nor any statute envisages a law-declaring function for the Tribunal. Its decision do not become binding precedents. The reasoning of the Tribunal in one case could be treated by tax authorities as a persuasive precedent in a subsequent case where the subject-matter is the same or similar. But the persuasive quality or cogent reasoning of a decision of the Tribunal does not transform it into a legally binding precedent for officials exercising executive or adjudicatory authority under tax, statutes, just as the most compelling and potent decisions of District Courts do not make such decisions binding precedents."

It is evident from the aforesaid that the precedents may be considered as reference but are not binding for the competent forum.

18. In view of the preceding facts, I am of the considered view that by failing to file/transmit the QFS to the Commission and to upload the same on the Company's website within the prescribed timeframe the contravention with the requirements of Section 237 of the Act has been established beyond doubt which attracts penal action in terms of sub-section (4) of Section 237 of the Act. I have given due attention to the grounds presented by the Respondents and their Authorized Representative to the said non-compliance. Due consideration has also been given to the fact that the QFS for the quarter ended on September 30, 2024 has now been approved by the Board and filed with the Commission on January 14, 2025, with a delay of seventy-five (75) days from the statutory deadline (i.e. October 30, 2024) and the same has been uploaded on the Company's website. I, therefore, in exercise of the powers conferred upon me under sub-section (4) of Section 237 of the Act, vide S.R.O. 1545(I)/2019 dated December 06, 2019, hereby, am inclined to take a lenient view and conclude the proceedings with a strict **WARNING** to the Respondents on account of established non-compliance and advise them to ensure meticulous compliance of the applicable legal and regulatory framework in future.



(Mahboob Ahmad)
Additional Director/ Head of Wing
Adjudication Department-I

Announced:
Dated: May 16, 2025
Islamabad