



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of Company:	M/s Gammon Pakistan Limited
Show Cause Notice No. & Date:	CSD/ARN/209/2015-334, dated April 17, 2025
Name(s) of Noticee(s):	(i) Lt Gen Ali Kuli Khan Khattak (Retd), Chairman/Director; (ii) Mr. Khalid Kuli Khan Khattak, CEO/Director; (iii) Mrs. Ayesha Alamzeb Durrani, Director; (iv) Mr. Muhammad Kuli Khan Khattak, Director; (v) Mr. Sikandar Kuli Khan Khattak, Director; (vi) Mr. Kamal Abdullah Malik, Director; (vii) Brig Humayun Malik (Retd), Director; (viii) Mr. Fazal-ur-Rehman Khan Burki, Ex-Director; (ix) Mr. Amin ur Rasheed, Company Secretary; (x) Mr. Ghulam Murtaza Khurshid, CFO; and (xi) M/s Gammon Pakistan Limited, the Company
Date(s) of Hearing(s):	(i) May 09, 2025 (ii) May 22, 2025
Case Represented by:	Mr. Ghulam Murtaza Khurshid, CFO as the Authorized Representative of Noticee No. (i) to (vii) and (x), (xi). No one appeared on behalf of Noticee(s) No. (viii), and (ix)
Provision of Law Involved:	Section 211 of the Companies Act, 2017 read with Section 502 thereof
Date of Order:	May 22, 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/209/2015-334 dated April 17, 2025 (SCN) against M/s Gammon Pakistan Limited (the "Company"), its Board of Directors, including the CEO, the Company Secretary and the CFO hereinafter collectively referred to as the "Noticee(s)" under Section 211 of the Companies Act, 2017 ("the Act") read with Section 502 thereof.

2. The sub-section (4) of Section 211 of the Act provides that:

"211. Restriction on non-cash transactions involving directors. — (4) The company shall ensure that all cash transactions with its directors are conducted only through banking channels".

3. Brief facts of the case are that during review of the Annual Audited Financial Statements of the Company for the year ended June 30, 2024, it was revealed that Lt. Gen. Ali Kuli Khan Khattak (Retd.), Chairman and Mr. Khalid Kuli Khan Khattak, Director provided advances to the Company amounting to Rs. 22.55 million (2023: Rs. 13.038 million) and Rs. 4.023 million (2023: 4.023 million), respectively during the year. It was further revealed that the same arrangement was also undertaken during the previous year, i.e., F.Y. 2023.

4. The Commission vide letter dated December 30, 2024 sought clarification from the Company with regards to provision of copies of banking instrument, cheque, pay order including relevant pages of bank statement of the Company's bank account evidencing receipt of the above stated loans. The Company in its response vide letter dated January 22, 2025, submitted that *the Company is facing financial constraints rendering it unable to meet its financial obligations and due to this the Company obtained interest-free loan from its directors with approval of the Board. It also submitted that the loan amounts were taken in cash from time to time, from Directors of the holding company M/s Bibojee Services Private Limited.*

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5. In view of the above, it was revealed that the Company has received loan from its Directors in form of cash transactions, thereby, *prima facie* contravening with the requirements of sub-section (4) of Section 211 of the Act, which attracts penal actions in terms of Section 502 of the Act; where the relevant provisions are as hereunder:

"502. Penalty where no specific penalty is provided.—If a company or any other person contravenes or fails to comply with any provision of this Act or any condition, limitation or restriction subject to which any approval, sanction, consent, confirmation, recognition, direction or exemption in relation to any matter has been accorded, given or granted, for which no punishment is provided elsewhere in this Act, the company and every officer of the company who is in default or such other person shall be liable to a penalty of level 3 on the standard scale."

6. Taking cognizance of the alleged violation of law, SCN was served upon the Noticee(s) on April 17, 2025 to show the cause in writing as to why a penal action may not be taken against them for non-compliance of the requirements of 211 of the Act read with Section 502 thereof. In response to the SCN, the CFO of the Company vide letter dated May 19, 2025 submitted *inter alia* that *the Company has not secured any new work contracts in over five years and is consistently incurring losses. The advances referred in the SCN were received in cash due to urgent nature of financial need and unavailability of immediate banking arrangements at that time.* The Company also sought leniency and assured that all transactions with directors shall be made strictly through banking channels.

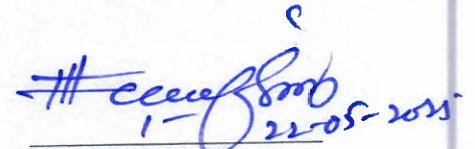
7. In order to provide an opportunity for personal representation and to meet the ends of justice, a hearing in the matter was fixed for May 09, 2025, which was adjourned on request of the Company vide letter dated April 30, 2025 and re-fixed for May 22, 2025. On the date of hearing, Mr. Ghulam Murtaza Khurshid, CFO appeared online on behalf of all the Noticee(s) except for Noticee No. (viii) Mr. Fazal-ur-Rehman Khan Burki, Ex-Director and Noticee No. (ix) Mr. Amin ur Rasheed, Ex-Company Secretary, as the **Authorized Representative**. During the hearing, the Authorized Representative shared that despite best efforts no contact could be established with both Noticee No. (viii) who is not in the country and (ix) who had already resigned from his post of Company Secretary and on account of the same he is in no position to represent them. The Authorized Representative further reiterated the stance taken vide letter dated May 19, 2025 and submitted that the Company is left with around 16 employees only that the Company's bank accounts were attached by the FBR in a case relating to tax matters of year 2016. Moreover, as the Company has been facing hardships for the last five (05) to six (06) years, no bank is ready to establish a relationship with it. Therefore, in view of the practical emergency situation, including the payment of the salaries of the staff, the Noticee(s) inadvertently provided liquidity in the form of cash. However, the loans have been audited and the matter has been discussed with the Chairman of the BoD, who fully understands the nature and implications of the instant non-compliance and has assured of strict future compliance with a request for leniency.

8. I have reviewed the facts of the case and also considered the written and verbal submissions made by the Noticee(s) and the Authorized Representative. I have also reviewed the provisions of Section 211(4) of the Act read with Section 502 thereof. At this juncture, it is important to observe that it is crucial for a company to ensure that all cash transactions with its directors are conducted only through banking channels for a multitude of reasons, encompassing legal compliance, financial transparency, good corporate governance, and risk mitigation. The Company has admitted the default and assured that in future all transactions would be through banking channels only.

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9. It is also observed that in the instant matter, Mr. Ghulam Murtaza Khurshid, CFO appeared online on behalf of all the Noticee(s) except Noticee No. (viii) Mr. Fazal-ur-Rehman Khan Burki, Ex-Director and Noticee No. (ix) Mr. Amin ur Rasheed, Ex-Company Secretary, as the Authorized Representative. I am, therefore, left with no other option except to conclude the proceedings as *ex-parte* in respect of Noticee(s) No. (viii), and (ix), on merits of the case and the records available with this office.

10. In light of the foregoing, the admittance of non-compliance and the assurance to fully comply with regulatory framework; the Company has shown a positive approach in respect of realizing the importance of using banking channels for cash transaction. Moreover, I have also considered the assurance provided by the Authorized Representative on behalf of the Noticees, especially the Chairman of the Board and the other concerned Director in the instant matter, for exercising greater vigilance in adhering to the legal/regulatory requirements in future. I, therefore, in exercise of powers conferred upon me under Section 502 of the Act read with S.R.O. 1545(I)/2019 dated December 6, 2019, hereby conclude the instant proceedings with a strict **WARNING** to the Noticee(s). Moreover, the proceedings against Noticee no. (ix) Mr. Amin ur Rasheed, Ex-Company Secretary on account of being not a person of interest are dropped without any adverse outcome. The Noticee(s) are also advised to ensure meticulous compliance with all applicable laws in the future.


Sohail Qadri
Director/ HOD
Adjudication Department-I

Announced:
May 22, 2025
Islamabad

