



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of Company:	M/s. Dost Steels Limited
Show Cause Notice No. & Date:	CSD/ARN/434/2017-506 dated October 11, 2024
Name(s) of Respondent(s):	1. Mr. Shahid Ali, Ex-Company Secretary; and 2. M/s. Dost Steels Limited.
Date(s) of Hearing(s):	(i) January 24, 2025; (ii) February 3, 2025; (iii) February 12, 2025; and (iv) March 5, 2025.
Case represented by:	No one appeared.
Provision of law involved:	Section 36 of the Companies Act, 2017 read with Section 479 thereof.
Order Date:	May 22, 2025

This Order shall dispose of proceedings initiated by the Securities and Exchange Commission of Pakistan (the “Commission”) in the matter of Show-Cause Notice No. CSD/ARN/434/2017-506 dated October 11, 2024 (“SCN”) under Section 36 of the Companies Act, 2017 (the “Act”) read with Section 479 thereof issued to M/s. Dost Steels Limited (the “Company”) and its Ex-Company Secretary, hereinafter collectively referred as the “Respondents”.

2. Provisions of sub-section (7) of Section 36 of the Act provides that if a company contravenes the provisions of its articles of association, the company and every officer of the company shall be liable to a penal action. Moreover, Article 67 of the Articles of Association (the “AOA”) of the Company filed with the Registrar provides that, “... A director may and the secretary on the requisition of a director shall at any time, summon a meeting of directors. It shall not be necessary to give notice of a meeting of directors to any director for the time being absent from Pakistan.”

3. Brief facts of the case are that the Commission received complaints from three (03) of the directors of the Company namely Mr. Jamal Iftakhar, Mr. Zahid Iftakhar and Mr. Shahab Mahboob Vohra (hereinafter referred to as the “Complainants”) vide letters dated July 05, 2024, alleging several non-compliances by the Company, its Company Secretary and other members of the Board of Directors (the “BOD”). The Complainants, amongst others, also alleged that the Company Secretary (i.e. the Respondent no. 1) did not hold board meetings despite their requisitions vide emails dated May 22, 2024 and June 13, 2024 and unlawfully passed several resolutions through circulations dated May 17, 2024 and June 13, 2024.

4. In order to probe the matter, the Commission, vide email dated July 18, 2024, forwarded the complaints to the Company for its comments on the issues/alleged non-compliances raised by the Complainants. The Company vide its email dated July 29, 2024 preferred to not to provide any explanations and informed that Complainants have filed a petition on similar matters before the Honorable Lahore High Court and therefore the Company is refraining from making any

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comments. However, upon review of the details provided by the Company, it was observed that no Stay or Restraining Order of the Hon. Court was furnished by the Company to support its assertion; thereby rendering it a binding obligation upon the Company to respond to the call for comments by the Commission on the afore-referred matters. The Company, despite being clearly required by the Commission to furnish the required comments vide subsequent emails dated July 30, 2024, August 5, 2024 and August 7, 2024, continued to avoid the same and vide an email dated August 7, 2024 only reiterated its earlier stance without offering any explanation on the issues raised.

5. Considering the above, the Company and the Company Secretary, *prima facie*, failed to fulfill the requirements of the applicable regulatory framework as envisaged by its bye-laws, i.e., Article 67 of the AOA; thereby acting in violation of the provisions of Section 36 of the Act. The relevant extracts are reproduced below for clarity of reference:

Section 36 of the Act

...
(7). *If a company contravenes the provisions of its articles of association, the company and every officer of the company shall be liable to a penalty not exceeding of level 1 on the standard scale.*

Articles of the Company

Article 67 (extracts): "... A director may and the secretary on the requisition of a directors shall at any time, summon a meeting of directors. It shall not be necessary to give notice of a meeting of directors to any director for the time being absent from Pakistan."

6. Having being not satisfied with the aforesaid responses furnished by the Company and its failure to offer any explanation, cognizance was taken in the matter and SCN was issued to the Respondents to show the cause in writing as to why a penal action may not be taken for non-compliance of the Act. The Company (as Respondent no. 2) vide letter dated October 28, 2024 acknowledged the SCN with a request for grant of time till November 30, 2024 to submit its reply to SCN. However, Mr. Shahid Ali, Ex-Company Secretary of the Company (as Respondent no. 1) did not submit any reply.

7. Subsequently, the Company (as Respondent no. 2) vide letter dated January 31, 2025 submitted its response which *inter alia* states as follows:

"The subject matter show cause notice is based on complaint filed by Mr. Jamal Iftikhar, Zahid Iftikhar and Shahab Mahboob Vohra which are verbatim to the CO No. 43001 of 2024 titled "Jamal Iftikhar and others versus Dost Steel Mills Limited and others" before the Hon. Lahore High Court, Lahore filed by the complainants along with other shareholders against the Company. That thereafter another CO No 55984 of 2024 titled "Saad Zahid and others versus Dost Steels Mills and others" has been filed before the Hon. Lahore High Court, Lahore which was instituted after the issuance of the Show Cause Notice.

That since identical factual and legal controversy is involved in the subject matter SCNs and the matters pending before the Hon. Lahore High Court, Lahore which is a higher forum it is requested that the proceedings in the matter be suspended until decision of

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the Hon. Lahore High Court, Lahore in the abovementioned matter so as to avoid any contradictory decisions."

8. In order to provide an opportunity of personal representation and to meet the ends of justice, hearing in the matter was fixed for January 24, 2025. The Company (as Respondent no. 2) vide letter dated January 22, 2025 requested for an adjournment citing time required to engage a counsel to prepare and represent during the hearing proceedings. Moreover, it is pertinent to observe that, neither any response nor any appearance on the date of hearing from the Ex-Company Secretary (as Respondent no. 1) was made. Accordingly, another hearing opportunity was then fixed for February 03, 2025, however, none of the Respondents appeared. Subsequently, another hearing opportunity was provided on February 12, 2025, which was again not availed by the Respondents.

9. In order to conclude the matter in an efficacious manner and to meet the ends of justice, a final hearing notice dated February 25, 2025 for the hearing scheduled on March 05, 2025 was issued to the Respondents with a clear advice that no further requests for adjournments of hearing opportunity will be allowed and in the case of non-appearance an *ex-parte* order shall be passed. Despite the same, the Respondents, unfortunately, failed to join the proceedings.

10. I have considered the facts of the case, the relevant provisions of the law, especially Section 36 of the Act and the record available with this office. I have also perused the relevant clause of the Articles of Association as submitted with the CRO along with the provision of Section 17 of the Act for guidance in terms of the requirements for compliance of AOA. At this juncture, it is important to discuss the following legal and factual elements:

- (i) That the Company received requisitions from three (03) directors namely Mr. Jamal Iftakhar, Mr. Zahid Iftakhar and Mr. Shahab Mahboob Vohra for convening meetings of the Board of Directors via emails dated May 22, 2024 and June 13, 2024. However, the Ex-Company Secretary (as Respondent no. 1) failed to summon the meetings as required under Article 67 of the AOA of the Company, which mandates that the company secretary shall (*an expression of binding compulsion*), on the requisition of a director, summon a meeting of the board.
- (ii) Furthermore, instead of convening the meetings as requisitioned, the Ex-Company Secretary (as Respondent no. 1) proceeded to pass resolutions for different approvals through circulation dated May 17, 2024 and June 13, 2024, despite pending requisitions for formal board meetings, thereby undermining the prescribed corporate governance mechanism as laid down in the AOA of the Company.
- (iii) The Respondents, upon being confronted with the complaints by the Commission, failed to provide any explanation or documentary support for the actions. The response dated July 29, 2024 merely stated that the matter was sub-judice before the Honorable Lahore High Court but failed to furnish any stay or restraining order, nor did the Company subsequently respond to further queries raised by the Commission via emails dated July 30, 2024, August 5, 2024 and August 7, 2024.
- (iv) It is pertinent to observe here that no restraining order is in place or available to this office and the Commission is well within its jurisdiction to proceed with regulatory action under its administered legislation.

- (v) Moreover, the above conduct constitutes a clear violation of the provision of AOA which attracts provisions of Section 36(7) of the Act.
- (vi) It is also pertinent to observe that guidance and support can be sought from the fact that even Table 'A' of the Act, which serves as an AOA for any company which has not adopted its own AOA, also provides the same requirement as given in the Article 67 of the AOA in its Article 54.
- (vii) It is also pertinent to observe that despite multiple hearing opportunities, the Respondents failed to participate in the proceedings or to submit any response regarding alleged non-compliance; thereby reflecting their non-cooperative behavior in the matter. Therefore, I am left with no other option except to pass an *ex-parte* order in the instant proceedings on the basis of the record available with this office.

11. Keeping in view the above, the non-compliance of Article 67 of the AOA of the Company, read with Section 36(2) and 36(5) of the Act, is established and the said contravention attracts penal provision contained in Section 36 (7) of the Act read with Section 479 thereof. I, therefore, in exercise of the powers conferred under Section 479 of the Act, read with SRO 1545(I)/2019 dated December 06, 2019, hereby conclude the proceedings initiated through the SCN by imposing an aggregate penalty of **Rs.50,000/- (Rupees Fifty Thousand Only)** on the Respondents in the following manner:

S No.	Name of Respondent	Penalty Amount (Rs.)
1.	Mr. Shahid Ali, Ex-Company Secretary	25,000
2.	M/s. Dost Steels Limited	25,000
	TOTAL	50,000

12. 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 fines as arrears of land revenue pursuant to provision of Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997.


1-8-2025-2025

Sohail Qadri
Director/ HOD
Adjudication Department-I

Announced:
Dated: May 22, 2025
Islamabad