



# 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/434/2017-505 dated October 11, 2024
Name(s) of Respondent(s):	1. Mr. Mian Abuzar Shad (Ex- CEO and Director); 2. Mrs. Nargis Abuzar Shad (Ex-Chairperson & Ex-Director); 3. Mr. Jawad Hamid (Ex-Director); 4. Mr. Murtaza Hussain (Director); 5. Mr. Suhail Elahi (CEO); 6. Mr. Naim Anwar (Chairman of Board); and 7. Mr. Shahid Ali (Ex- Company Secretary).
Date(s) of Hearing(s):	(i) January 27, 2025; (ii) February 3, 2025; (iii) February 12, 2025; and (iv) March 5, 2025.
Case represented by:	No one appeared.
Provision of law involved:	Sections 168 and 179 of the Companies Act, 2017 read with Sections 169 and 502 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/434/2017-505 dated October 11, 2024 ("SCN") under Sections 168 and 179 of the Companies Act, 2017 (the "Act") read with Section 502 thereof issued to the Board of Directors (the "BOD") and Ex-Company Secretary of M/s. Dost Steels Limited (the "Company"), hereinafter collectively referred as the "Respondents".

2. The provisions of Section 179 of the Act require that a resolution in writing approved by majority of the directors for the time being entitled to receive notice of a meeting of the directors shall be as valid and effectual as if it had been passed at a meeting of the directors duly convened and held but such resolution shall not be deemed to have been duly passed, unless the resolution has been circulated, together with the necessary papers, if any, to all the directors. Moreover, the same resolution shall be noted at a subsequent meeting of the BOD and made part of the minutes of such meeting and a Directors' agreement to a written resolution, passed by circulation, once signified, may not be revoked. Moreover, provisions of Section 168 of the Act provide that the acts of a director shall be valid notwithstanding that it is afterwards discovered that there was a defect in his appointment or he was disqualified from holding office or he had ceased to hold the office and as soon as any such defect has come to notice, the director shall not exercise the right of his office till the defect has been removed.

3. Brief facts of the case are that the Commission received complaints from three (03) directors of the Company namely; Mr. Jamal Iftakhar, Mr. Zahid Iftakhar and Mr. Shahab Mahboob Vohra (hereinafter referred to as the "Complainants") vide separate letters dated July 05, 2024 each (therein referring to the previous email dated June 13, 2024) alleging the non-compliances by the Company regarding filling of casual vacancies without the approval of majority of the BOD. It was shared that the Company in its Notice (email) circulated to the Directors dated May 17, 2024, informed that the following directors/CEO had tendered their resignations:

*#cew/omb  
1-  
22-05-2025*

- i. Mr. Mian Abuzar Shad as CEO (while retaining his Directorship) (*Respondent no. 1*);
- ii. Mrs. Nargis Abuzar as Director and Chairperson (*Respondent no. 2*); and
- iii. Mr. Jawad Hamid as Director (*Respondent no. 3*).

4. The Company, vide the same Notice (email) further informed the Directors that Mr. Naim Anwar (*Respondent no. 6*) consented to act as Director and Chairman of the BOD and Mr. Suhail Elahi (*Respondent no. 5*) consented to act as Director and CEO of the Company. The Notice (email), so circulated, also sought approval from the Directors in respect of the aforesaid resignations and appointments; where the record revealed that three (03) of the persons signed the same in-writing on hard copy of the printed email (*no date of signing mentioned*) and one person approved the same vide a response email dated May 22, 2024. The Complainants claimed that out of four (04) persons who consented/approved the Notice (email) as Directors, two (02) were the persons who had already resigned, i.e., Mrs. Nargis Abuzar (*Respondent no. 2*) and Mr. Jawad Hamid (*Respondent no. 3*), and vacancies created due to their respective resignations were being filled by the newly appointed Directors Mr. Naim Anwar (*Respondent no. 6*) and Mr. Suhail Elahi (*Respondent no. 5*) and therefore the Notice (email), which was passed as a Resolution through Circulation, did not meet the majority requirements in terms of the provisions of Section 179 of the Act for approving such appointments.

5. It is pertinent to observe that the Company had nine (09) Directors on its BOD, including two Directors who resigned on May 17, 2024. The approval regarding filling of casual vacancies was sought through Resolution through Circulation (an email May 17, 2024), which required consent from majority of the Directors as per the requirements of Section 179 of the Act, i.e., four (04) of the seven (07) remaining Directors. However, the approval was given by Mr. Mian Abuzar Shad (*Respondent no. 1*), Mrs. Nargis Abuzar Shad (*Respondent no. 2*), Mr. Jawad Hamid (*Respondent no. 3*) (*all through signed copy of the email filed in physical form with the Company Secretary*) and Mr. Murtaza Hussain (*Respondent no. 4*) through a return email. The aforementioned Directors, excluding the ones who voted despite resignations, failed to form majority at that point in time and had *prima facie* violated the provisions of Section 179 of the Act read in context of provision of Section 168 thereof.

6. Consequently, after the *prima facie*, unlawful appointment of new Directors to fill the casual vacancies, the newly appointed Directors had participated in following decisions made by the BOD, again through Resolutions through Circulation:

Date of meeting	Type	Agenda
June 13, 2024	Resolution through Circulation	<ul style="list-style-type: none"> <li>- Approval for increase in Authorized Share Capital and</li> <li>- Calling of EOGM for the same (EOGM was held on July 8, 2024)</li> </ul>
July 11, 2024	Resolution through Circulation	<ul style="list-style-type: none"> <li>- Resignation of Company Secretary and appointment of the new Company Secretary.</li> <li>- Authorizing new Directors to operate company's Bank Accounts.</li> </ul>

As per the information furnished by the Company, the aforesaid Resolutions were also passed through Circulation without complying with majority requirements of Section 179 of the Act.

7. Considering the above, the Respondents had, *prima facie*, violated the provisions of Sections 179 and 168 of the Act, which attracted penal action under Section 502 and Section 169 thereof, respectively, on the following accounts:

- i. **Company Secretary (Mr. Shahid Ali):** In respect of the Resolution through Circulation dated May 17, 2024 (*a Notice in the form of an Email*), Company Secretary sent notices to Mrs. Nargis Abuzar Shad (*Respondent no. 2*) and Mr. Jawad Hamid (*Respondent no. 3*), who on

*Handwritten signature and date:*  
 22-05-2025

account of their resignations from the BOD, were not entitled to receive notice under Section 179 (1) of the Act.

- ii. **Mrs. Nargis Abuzar Shad and Mr. Jawad Hamid:** acted/presented themselves as Directors and voted for passing of Resolution through Circulation for the appointments of Mr. Suhail Elahi (*Respondent no. 5*) (*as Chief Executive Officer and member of the BOD*) and Mr. Naim Anwar (*Respondent no. 6*) (*as member and Chairman of the BOD*) despite tendering their resignations before the passing of such Resolution through Circulation, contrary to the requirements of Section 179(1) of the Act as they ceased to hold the office of the Director immediately upon the tendering of the respective resignations.
- iii. **BOD (Mr. Abuzar Shad and Mr. Murtaza Hussain) and Company Secretary (Mr. Shahid Ali):** Casual vacancies were invalidly filled as the Resolution through Circulation to fill the casual vacancies of the BOD lacked consent of majority of the Directors which were entitled to vote at that point in time as required under Section 179 (1) of the Act.
- iv. **BOD (Mr. Abuzar Shad, Mr. Murtaza Hussain, Mr. Suhail Elahi and Mr. Naim Anwar) and Company Secretary (Mr. Shahid Ali):** Subsequently, made several Resolutions through Circulation dated June 13, 2024 and July 11, 2024 which were again passed by four (04) of the total of nine (09) Directors without complying with majority requirements of Section 179(1) of the Act.
- v. **BOD (Mr. Abuzar Shad, Mr. Murtaza Hussain, Mr. Suhail Elahi and Mr. Naim Anwar):** Appointed Mr. Afzal Shehzad through a Resolution dated July 11, 2024, who did not meet the qualification criteria to be appointed as the Company Secretary of a public company as per requirements of Regulations 52 of the Companies Regulations, 2024, (the "**Regulations**") which is *pari-materia* to Regulation 22 of the Companies (General Provisions and Forms) Regulations, 2018, where the company secretary is required to be a member of a recognized body of accountants/corporate secretaries or to have Master Degree in Business Administration/Commerce or a Law Graduate. However, the Résumé, as furnished by the Company, revealed that the Company Secretary has a Bachelor's Degree in Arts with Diploma in Commerce and does not qualify to become a Company Secretary.
- vi. **BOD (Mr. Abuzar Shad, Mr. Murtaza Hussain, Mr. Suhail Elahi and Mr. Naim Anwar):** The BOD called EOGM without the approval of the majority of the Directors for the Resolution through Circulation, contrary to the requirements of 179(1) read with Section 133(2) of the Act. The Company also did not disclose the reasons for increase in authorized share capital in statement of material facts annexed with notice of EOGM dated June 14, 2024 contrary to the requirements of Section 134(3) of the Act read with SRO 423 (I) / 2018.

8. Relevant provisions of the law are reproduced below for clarity of reference:

**168. Validity of acts of directors.—**

*The acts of a person acting as a director are valid notwithstanding that it is afterwards discovered that there was a defect in his appointment; or he was disqualified from holding office; or he had ceased to hold such office:*

*Provided that, as soon as any such defect has come to notice, the director shall not exercise the right of his office till the defect has been removed.*

**179. Passing of resolution by the directors through circulation.—**

# *ceef*  
1-*0800*  
22-05-2025

(1) A resolution in writing [approved by majority of] the directors or the committee of directors for the time being entitled to receive notice of a meeting of the directors or committee of directors shall be as valid and effectual as if it had been passed at a meeting of the directors or the committee of directors duly convened and held.

(2) A resolution shall not be deemed to have been duly passed, unless the resolution has been circulated, together with the necessary papers, if any, to all the directors.

(3) A resolution under sub-section (1) shall be noted at a subsequent meeting of the board or the committee thereof, as the case may be, and made part of the minutes of such meeting.

(4) A directors' agreement to a written resolution, passed by circulation, once signified, may not be revoked.

**169. Penalties.—**

Whoever contravenes or fails to comply with any of the provisions of sections 154 to 168 or is a party to the contravention of the said provisions shall be liable to a penalty of level 2 on the standard scale and may also be debarred by the authority which imposes the penalty from becoming or continuing a director of the company for a period not exceeding three years.

**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

9. 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 comments. However, upon review of the details provided by the Company, it was observed that no Stay or Restraining Order of the Hon. Lahore High 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 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.

10. 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 aforesaid provisions of the Act. The Company vide letter dated October 28, 2024 acknowledged the SCN with a request for grant of more time till November 30, 2024 to submit its reply to SCN.

11. Subsequently, the Company 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 [Steels] Limited and others" before the Hon. Lahore*

---

Order in the matter of M/s. Dost Steels Limited dated May 22, 2025

*Handwritten signature and date:*  
1-8-2025  
22-05-2025

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

12. In order to provide an opportunity of personal representation and to meet the ends of justice, hearing in the matter was fixed for January 27, 2025. The Company 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. 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.

13. 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.

14. I have considered the facts of the case, the relevant provisions of the law and the record available with this office including responses furnished by the Company which is not a respondent in the instant matter. At this juncture, it is important to discuss the following legal and factual elements:

(i) The statutory requirement under Section 179 of the Act mandates that for a resolution to be passed by circulation to be valid, it must be approved by majority of the Directors and the same shall be circulated to all the Directors entitled to receive notice. Moreover, the statutory requirements of Section 168 clearly provide that the Director, as soon as any defect in his appointment has come to notice, shall not exercise the right of his office till the defect in his appointment has been removed. In the instant matter, for the initial appointment of the two (02) new Directors to fill the casual vacancies, out of a total of Nine (09) members of BOD only two (02) of the Directors voted validly; thereby resulting in lack of sufficient majority which rendered the appointment of both of the new Directors (*where one was also proposed to be appointed as the CEO and other was proposed to be appointed as the Chairman of the BOD*) invalid *ab-initio*. Moreover, it would not be plausible to assume that both of the newly appointed Directors were not aware of such defect as the very Resolution through Circulation proposing their respective appointments for approval also clearly demarcated the resignation of the persons who received and approved the same without a valid entitlement. In the same vein, the newly appointed Directors, i.e., CEO and Chairman of BOD, who continued to act in their respective capacities and to participate in BOD proceedings by passing Resolutions through Circulation despite being evidently aware of the defects in their respective appointments arising from the Resolution through Circulation which was suffering the lack of majority passing it, were required not to exercise the rights of their office till the removal of the defects.

(ii) It is also pertinent to observe that by voting for the Resolution through Circulation dated May 17, 2024, which is clearly subsequent to their tendering of resignations, both of the resigned Directors (*Respondents No. 2 and 3*) acted and represented themselves as Directors which clearly attracted the penal action under Section 175 of the Act. It is further important to observe that the records presented by the Company clearly showed that Mrs. Nargis Abuzar Shad (*Respondent no. 2*) and Mr. Jawad Hamid (*Respondent no. 3*) resigned

#ceef  
1-10-2025  
22-05-2025

from their respective positions prior to signing the Resolutions through Circulation. Clear guidance in this regard can be sought from provision of Section 161 of the Act which provides that a director shall hold office for fixed term of three years or till he (earlier) resigns or vacates office. Therefore, once a resignation is tendered and no evidence is provided to show it was rescinded or withdrawn, the individual ceases to be a director and is no longer entitled to vote or be counted in a board resolution which he/she is not entitled to receive in the first place after the resignation. Therefore, participation of these individual's post-resignation rendered such board Resolutions through Circulation, *void*.

- (iii) All subsequent Resolutions through Circulation in the instant matter (*dated June 12, 2024 and July 11, 2024*) were passed by a minority of the board and were facilitated by individuals who were invalidly appointed or whose appointment process suffered from the afore discussed legal defects. Hence, the actions taken pursuant to those Resolutions through Circulation, including the approval for increasing the authorized capital of the company, appointment of a new company secretary and approval for authorization to operate the official bank accounts, suffer the same fate of being *void ab-initio*.
- (iv) Moreover, the appointment of Mr. Afzal Shehzad as Company Secretary, despite lacking the requisite academic qualifications, amounts to non-compliance with Regulation 52 of the Regulations. The record demonstrates that he did not fulfill the prescribed eligibility criteria stipulated therein. It was the responsibility of the BOD to ensure that a person duly qualified in accordance with the applicable legal requirements was appointed to the position of Company Secretary. The failure to do so reflects a lapse on the part of the BOD in fulfilling its statutory duties and obligations. Moreover, the approval of his appointment also faced the same challenge of not meeting the majority requirements in terms of provision of Section 179(1) per se.
- (v) The Respondents were repeatedly provided opportunities to submit explanations and appear in person, which were not availed. The mere pendency of a civil petition before the Hon'ble Lahore High Court does not serve as an implied stay against independent regulatory proceedings under the Act, especially when no restraining order by the Hon. Court was submitted by the Respondents. It is a well-established principle that administrative and civil remedies can run in parallel unless specifically restrained by a court of competent jurisdiction.
- (vi) It is also important to note 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.

15. Keeping in view the above findings, the non-compliance with the provisions of Sections 168 and 179 of the Companies Act, 2017 by the Respondents is established beyond doubt. These contraventions attract the penal provisions contained in Sections 169 and 502 of the Act. I, therefore, in exercise of powers conferred under Sections 169 and 502 of the Act, read with SRO 1545(I)/2019 dated December 06, 2019, hereby conclude the proceedings initiated through the Show Cause Notice by imposing an aggregate penalty of **Rs. 145,000/- (Rupees One Hundred Forty-Five Thousand Only)** on the Respondents in the following manner:

S No.	Name of Respondent	Penalty Amount (Rs.)
1	Mr. Mian Abuzar Shad (Ex- CEO and Director)	20,000
2	Mrs. Nargis Abuzar Shad (Ex-Chairperson and Ex-Director)	20,000

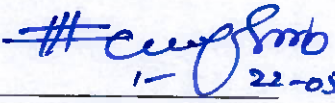
Order in the matter of M/s. Dost Steels Limited dated May 22, 2025

*Handwritten signature and date:*  
 #ceefgsmo  
 22-05-2025

3	Mr. Jawad Hamid (Ex-Director)	20,000
4	Mr. Murtaza Hussain (Director)	20,000
5	Mr. Suhail Elahi (CEO and Director)	20,000
6	Mr. Naim Anwar (Chairman of BOD and Director)	20,000
7	Mr. Shahid Ali (Ex- Company Secretary)	25,000
	<b>TOTAL</b>	<b>145,000</b>

16. Furthermore, in order to uphold the standards of good governance and to protect the shareholders' rights, the BOD of the Company is hereby directed in terms of Section 475 of the Act read with S.R.O 1545(I)/2019 dated December 06, 2019 to ensure compliance with the provisions of the Act by removing the defects in the acts of Directors i.e., by removing the deficiencies in passing of Resolutions through Circulation resulting in invalid filling of casual vacancies, invalid appointment of the CEO, approval for increasing the authorized capital of the company, appointment of a new company secretary and approval for authorization to operate the official bank accounts, strictly in compliance with Sections 168 and 179 of the Act. The Company is further directed to complete this process within thirty (30) days from the date of this Order and submit a compliance report to the Commission.

17. 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.

  
1-22-05-2025

**Sohail Qadri**  
Director/ HOD  
Adjudication Department-I

**Announced:**  
Dated: May 22, 2025  
Islamabad