

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division



Before

Mahboob Ahmad - Additional Director/Head of Listed Companies Wing

In the Matter of

ZIL Limited

Number and Date of SCN: CSD/ARN/58/2024-401
dated August 09, 2024

Hearing Date: October 08, 2024

Present: Mr. Ata-Ur-Rehman Shaikh, Chief Financial Officer;
as the Authorized Representative

ORDER

Under Section 237 read with Section 479 of the Companies Act, 2017

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the "Commission") through Show Cause Notice CSD/ARN/58/2024-401 dated August 09, 2024 (the SCN) issued under section 237 of the Companies Act, 2017 (the Act) read with section 479 thereof and Circular No. 11 dated August 11, 2023 (Circular) against the Board of Directors and Chief Financial Officer (CFO), hereinafter collectively referred to as the Respondents, of ZIL Limited (the Company).

2. The brief facts of the case are that from the perusal of relevant record, it transpires that the Company has failed to timely file/transmit with the Registrar/Commission, its Quarterly Financial Statements (QFS) for the following period:

| Period Ended | Due on | Date of Filing/Transmission of QFS with the Registrar/Commission |
|--------------|-----------|--|
| 31-Mar-24 | 30-Apr-24 | 25-Jun-24 (delay of 56 days) |

3. In view of the above, it appeared that the directors, Chief Executive Officer (CEO) and CFO of the Company had, *prima facie*, contravened the provisions of section 237 of the Act read with Circular by late filing/transmitting the above-mentioned QFS through eServices/eZfile with the Registrar/Commission.

4. Consequently, a SCN was issued to the Respondents to show cause in writing as to why penal action may not be taken against them for non-compliance with the provisions of section 237 of the Act read with abovementioned Circular.



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5. In response, the Company Secretary vide letter dated August 20, 2024 filed written response to the SCN, *inter alia*, stating the following:

- The Company has an approved Special Financial Year i.e. January-December, since year 2012 and has been submitting all statutory returns on time accordingly.
- The Commission on February 15, 2024, switched from its online filing system-eServices, to a new online system LEAP-eZfile. The Company's financial year appeared as July-June instead of January-December on filing QFS through eZfile portal, which treated it as late filing, thereby generated challan with three times late filing fee.
- The Company lodged a complaint on May 02, 2024 through SECP-XS. The issue was again surfaced at the time of filing of Annual Return on May 21, 2024, due to which another complaint was lodged on May 16, 2024 with supporting documents.
- An e-mail regarding resolution of issue was received on May 30, 2024, but in actual, it resolved on June 25, 2024, thereafter, the Company resubmitted the QFS of March 31, 2024 with the Registrar/Commission on same day.
- QFS were submitted with the Pakistan Stock Exchange (PSX) within prescribed time limit on April 30, 2024, Therefore, there was no willful contravention of any provisions of section 237 of the Act.

6. To provide an opportunity for personal representation, hearing in the matter was fixed for October 08, 2024, where Mr. Ata-Ur-Rehman Shaikh, CFO, appeared as the Authorized Representative on behalf of the Respondents (**the Representative**) and reiterated the written response submitted vide letter dated August 20, 2024 and made the following further submissions:

- The QFS were uploaded on April 30, 2024, but the eZfile system generated challan with three-time additional fee due to incorrect financial year appeared i.e. July-June instead of January-December;
- The Company filed complaint on May 2, 2024 and resolution of issue on June 25, 2024 resubmitted the QFS;
- The QFS were submitted through Pakistan Unified Corporate Action Reporting (PUCAR) platform of PSX on April 30, 2024, with intimation that the same are also available on the Company's website; and
- The alleged late filing of QFS was not wilful and requested for taking lenient view in the matter.

7. The relevant provisions of the Act stipulate as under:

"237. Quarterly financial statements of listed companies. — 1) Every listed company shall prepare quarterly financial statements within a period of: -



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- 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).

(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."

8. As regards the matter at hand, I have analyzed the facts of the case based on the relevant provisions of the Act, the available record, as well as the written and verbal submissions of the Respondents and their Representatives. At this juncture, it is imperative to address the following legal and factual issues;

(i) Whether it is statutory obligation to timely file/transmit QFS?

The provisions of section 237 of the Act are unambiguous and explicit. The timing of the QFS is essence and the disclosure requirements of these QFS have been kept to a bare minimum. The timely preparation and filing/transmission of QFS with Registrar and the Commission provide to its users a reliable source of information regarding a Company's financial position and performance. In order to ensure compliance, the Respondents have fiduciary duty to ensure that the Company meticulously adheres to the law for preparation and filing/transmission of the QFS in a timely manner.

In the instant case, the Respondents uploaded the QFS on April 30, 2024 i.e. on the due date, as required under the Act. However, the delay in filing/submission of the QFS was occurred due to reasons that the eZfile system showed incorrect financial year and generated a challan with three-time additional fee. Nonetheless, compliance with respect to preparation and submission of QFS demonstrates Respondents' efforts to adhere to the requirement of the Act.

(ii) Whether QFS is source of information for the stakeholders/members?

QFS are crucial source of information for stakeholders/members. They provide timely insights into a company's financial performance and position, enabling members to make informed decisions regarding their investments. Such information is essential for assessing the company's overall financial health on a regular basis, thereby ensuring transparency and accountability from the company's management.

In the instant case, the Company had transmitted the QFS through PUCAR platform of PSX and made it available on the Company's website in a timely manner i.e. April 30, 2024.



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9. In view of the above, I have concluded that the delay in filing the Company's QFS for the period ending March 31, 2024, was due to the system error which cannot be considered as default on part of the Respondents. The evidence provided by Representative demonstrates that the Company timely initiated the filing process via eZfile on April 30, 2024. On resolution of issue, the Company filed the QFS on June 25, 2024, resulting in 56-days delay. Further, the Company has history of compliance and on April 30, 2024, had transmitted the QFS to PSX and placed it on Company's website. Therefore, considering the given circumstances, I, in the exercise of powers conferred under sub-section (4) of section 237 of the Act, hereby conclude the proceedings initiated through the SCN against the Respondents, without imposing any penalty.

A handwritten signature in blue ink, appearing to read 'Mahboob Ahmad', is written over a horizontal line.

Mahboob Ahmad
Additional Director/ Head of Wing
Listed Companies Wing,
Adjudication Department - I

Announced:
November 06, 2024
Islamabad