



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

ORDER		
Name of Company:	M/s. Pak Elektron Limited	
Show Cause Notice No. & Date:	SCN/LCD/Adj-I/164730-947 dated October 07, 2025	
Noticee(s):	Names(s)	Period(s)
	(i) Mr. Muhammad Kamran Saleem, Director (ii) Mr. M. Naseem Saigol, Chairman/Director (iii) Mr. Muhammad Murad Saigol, Director/CEO (iv) Mr. Muhammad Zeid Yousaf Saigol, Director (v) Syed Manzar Hassan, Director (vi) Syed Haroon Rashid, Director (vii) Ms. Azra Shoaib, Director (viii) Mr. Asad Ullah Khawaja, Director (ix) Mr. Usman Shahid, Director (x) Sheikh Muhammad Shakeel, Director (xi) Mr. Jamal Baquar, Director (xii) M/s. Pak Elektron Limited <i>through Chief Executive Officer</i>	2021 2018 & 2021 2018 & 2021 2018 & 2021 2018 & 2021 2018 & 2021 2018 & 2021 2018 & 2021 2018 2018 2018
Date(s) of Hearing(s):	November 03, 2025	
Case represented by:	(i) Mr. Omer Farooq, Director; and (ii) Khawaja Safee Sultan, Company Secretary. <i>As the Authorized Representatives on behalf of all the Noticee(s).</i>	
Provision of law involved:	Regulations 33(2), 34(2) and 41 of the Listed Companies (Code of Corporate Governance) Regulations, 2017 and Regulations 32(2), 33(2) and 37 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 read with Section 512(2) of the Companies Act, 2017.	
Date of Order:	November 21, 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. SCN/LCD/Adj-I/164730-947 dated October 07, 2025 (“**SCN**”) against M/s. Pak Elektron Limited (the “**Company**”) and its Board of Directors (“**BOD**”) including Chief Executive Officer (CEO), hereinafter collectively referred to as the “**Noticee(s)**”, for contravention of the requirements of Regulations 33(2), 34(2) and 41 of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the “**CCG 2017**”) and Regulations 32(2), 33(2) and 37 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the “**CCG 2019**”) read with Section 512(2) of the Companies Act, 2017 (the “**Act**”).

2. The provisions of sub-regulation (2) of Regulation 33 of the CCG 2017 provide that no company shall appoint as external auditors, a firm of auditors which or a partner of which is non-compliant with the International Federation of Accountants’ (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan (ICAP).

3. Section 290.149 of ICAP Code of Ethics for Chartered Accountants, 2015 (the “**COE 2015**”), effective for the period starting from July 01, 2015 till June 30, 2020, provides that in respect of an audit of a public interest entity, an individual shall not be a key audit partner for more than seven (07) years unless the law prescribes a shorter period in which case the requirement of the law shall prevail for such specific entities. After such time, the individual shall not be a member of the engagement team or be a key audit partner for the client for two (02) years (i.e., the Cooling-off Period). Furthermore, Regulation 34(2) of the CCG 2017, prescribes such shorter period by requiring that all listed companies, other than those in the financial sector, shall, at a minimum, rotate the engagement partner after every five (05) years.

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4. The provisions of sub-regulation (2) of Regulation 32 of the CCG 2019 provide that it is **mandatory** that no company shall appoint as external auditors, a firm of auditors which or a partner of which is non-compliant with the IFAC Guidelines on Code of Ethics, as adopted by the ICAP.

5. Section 540.5 of the ICAP Code of Ethics for Chartered Accountants, 2019 (the “COE 2019”), effective from July 01, 2020, provides that in respect of an audit of a public interest entity, an individual shall not act in any of the following roles, or a combination thereof, for a period of more than seven (07) cumulative years unless the law prescribes a shorter period: (a) the engagement partner; (b) the individual appointed as responsible for the engagement quality control review; or (c) any other key audit partner role. After such period, the individual shall serve a “cooling-off” period in accordance with the provisions in paragraphs R540.11 to R540.19. Furthermore, Section 540.11 of the COE 2019 explains the cooling-off period by stating that if the individual acted as the engagement partner for seven (07) cumulative years, the cooling-off period shall be five (05) consecutive years. Furthermore, Regulations 33(2) of the CCG 2019, prescribing such shorter period, provides that it is **mandatory** for all listed companies, other than those in the financial sector, to rotate the engagement partner after every five (05) years.

6. Review of the Annual Audited Financial Statements of the Company from the year ended June 30, 2013 to June 30, 2022 revealed that the Company appointed M/s. Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants (the “Audit Firm”), who conducted the statutory audits of the Company for the periods mentioned in the table below where Mr. Zubair Irfan Malik, who served as the Engagement Partner in respect of the audit of the accounts of the Company for the years from June 30, 2013 to June 30, 2016 and resumed the role of the Engagement Partner for the audit of the accounts of the Company for the year from June 30, 2018 i.e. after a gap of only one (01) year, without adhering to the mandatory requirement of two-year Cooling-ff Period; thereby, contravening with the requirements of Section 290.149 of the COE 2015 read with Regulation 34(2) of the CCG 2017. By such appointment, the Company contravened with the requirements of Regulation 33(2) of the CCG 2017. The details of appointments are tabulated below for ready reference:

Year ended	Auditor	Engagement Partner
June 30, 2013	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Zubair Irfan Malik
June 30, 2014	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Zubair Irfan Malik
June 30, 2015	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Zubair Irfan Malik
June 30, 2016	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Zubair Irfan Malik
June 30, 2017	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Irfan Rehman Malik
June 30, 2018	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Zubair Irfan Malik
June 30, 2019	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Zubair Irfan Malik
June 30, 2020	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Zubair Irfan Malik
June 30, 2021	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Zubair Irfan Malik
June 30, 2022	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Zubair Irfan Malik

7. Furthermore, Mr. Zubair Irfan Malik continued to serve as the Engagement Partner of the Company for the audits of the years ended June 30, 2019, June 30 2020, June 30, 2021 and June 30, 2022, where the COE 2019 had come into effect from July 01, 2020, which prescribed under Section 540.5 of the COE 2019 read with Regulation 33(2) of the CCG 2019 a maximum permissible period of five (05) cumulative years for an engagement partner of a public interest entity, followed by a mandatory five (05) consecutive years cooling-off period. Accordingly, his continued appointment by the Company for financial years 2021 and 2022 resulted in exceeding the allowable cumulative five (05) year limit; thereby, contravening with the requirements of Section 540.5 of the COE 2019 read with Regulation 33(2) of the CCG 2019. By making such appointment, the Company contravened with the requirements of Regulation 32(2) of the CCG 2019, as it appointed the Engagement Partner i.e., Mr. Zubair Irfan Malik, who was non-compliant with the applicable provisions of both the COE 2015 and COE 2019 during the relevant periods respectively.

8. In order to probe the matter, the Commission sought an explanation from the Company vide letter dated August 12, 2025. In response, the Company, vide letter dated August 26, 2025, *inter alia*, submitted that:

““Mr. Zubair Irfan Malik served as Engagement Partner for a consecutive four-year term (2013-2016). In full compliance with Section 290. 149 of the COE 2015 and the spirit of the forthcoming

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CCG Regulations 2017/2019, the Audit Firm proactively rotated the Engagement Partner for the 2017 and 2018 financial years, appointing Mr. Irfan Rehman Malik. This initiated the mandatory two-year cooling-off period for Mr. Zubair Irfan Malik, as required by the ICAP Code of Ethics. This rotation was confirmed via the Audit Firm's consent letter and is substantiated by the signed review and audit reports for Financial Year 2017 and the designated consent for Financial Year 2018. Therefore, the Company had fully complied with the partner rotation and cooling-off requirements prior to the unfortunate events of 2018. The audit for the year ending December 31, 2018 was under the leadership of Mr. Irfan Rehman Malik. Regrettably, Mr. Malik passed away unexpectedly in April 2018. This created an exceptional, unforeseen situation. The Audit Firm was faced with an imminent audit deadline for a large, listed entity and the sudden loss of the designated Engagement Partner with intimate knowledge of the Company's operations. To ensure the timely completion of the statutory audit and avoid a breach of the Company's obligations under the Securities Act, 2015, and PSX Regulations, the Audit Firm, reassigned Mr. Zubair Irfan Malik as Engagement Partner for the Financial Year 2018 audit on an emergency basis...

9. In view of above, the Company and its BOD including the CEO, *prima facie*, contravened the requirements of Regulation 34(2) and Regulation 33(2) of the CCG 2017 read with Section 290.149 of the COE 2015; and the requirements of Regulations 33(2) and 32(2) of the CCG 2019 read with Section 540.5 of the COE 2019, which attract penal provisions in terms of Regulation 41 of the CCG 2017 and Regulation 37 of the CCG 2019 read with Section 512(2) of the Act. The relevant provisions of the Act are reproduced for ready reference as under:

Regulation 41 of the CCG 2017:

"41. Penalty for contravention of Regulations: Whoever fails or refused to comply with, or contravenes any requirements of the Regulations, knowingly or willfully authorizes or permits such failure, refusal or contravention, in addition to any other liability under the Act, be punishable with penalty and in case of continuing failure, to a further penalty as provided under sub-section (2) of section 512 of the Act."

Regulation 37 of the CCG 2019:

"37. Penalty.- Whoever fails or refused to comply with, or contravenes regulation 3, 6, 7, 8, 27, 32, 33 and 36 of these Regulations, shall be punishable with penalty as provided under sub-section (2) of section 512 of the Act."

Section 512(2) of the Act:

"(2) Any regulation made under sub-section (1) may provide that a contravention thereof shall be punishable with a penalty which may extend to five million rupees and, where the contravention is a continuing one, with a further penalty which may extend to one hundred thousand rupees for every day after the first during which such contravention continues."

10. Taking cognizance of the alleged violation of law, a SCN was served upon the Noticee(s) to show the cause in writing as to why a penal action may not be taken against them for non-compliance of aforesaid requirements of the Regulations and Act. In response, the Company vide letter dated October 21, 2025, *inter alia*, submitted as under:

"We refer to your letter No. SCN/LCD/Adj-I/164730-947 dated 7 October 2025 (the "SCN"). We appreciate the opportunity to clarify the position of Pak Elektron Limited (the "Company") and submit this response incorporating additional facts, acceptance of responsibility, and remedial measures.

Chronology of auditor appointments and engagement-partner rotation

Between FY2013 and FY2016, for four (04) years, the statutory auditor was Messrs. Rehman Sarfaraz Rahim iqbal Rafiq, Chartered Accountants ("RSRIR"), with Mr. Zubair Irfan Malik serving as engagement partner.

In FY2017, the Company, recognising the requirement to rotate the engagement partner after five years, directed RSRIR to rotate the partner and RSRIR appointed Mr. Irfan Rehman Malik.

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In April 2018, while he was a partner in charge of the Company's audit for FY 2021, Mr. Irfan Rehman Malik tragically passed away. The FY2018 audit had to be completed by FY Ended 2018 to meet statutory deadlines, and the audit firm reassigned Mr. Zubair Irfan Malik on an emergency basis to avoid a breach of Section 246 of the Companies Act 2017 and PSX regulations.

Mr. Zubair Irfan Malik continued as engagement partner through the FY2022 audit. In retrospect, the Company accepts that this continuity did not satisfy the two-year cooling-off period required by the Code of Ethics and the CCG Regulations, despite the ahead-of-time rotation of partners after 4 years instead of 5 years.

For the audits of FY2023 and FY2024 the Company required RSIR to nominate a different partner and engaged Mr. Ali Raza Jaffery as the new engagement partner. The Company has also requested written confirmation from SRIR that the nominated partner satisfies all rotation and cooling-off requirements.

The board of directors acknowledges that Regulation 34(2) of the 2017 Code and Regulation 32(2) of the 2019 Code require listed companies to rotate the engagement partner of their external auditor after five years. The board previously believed that partner rotation was an internal matter for the audit firm and relied on the audit firm's assurance of compliance believing that the compliance with the ICAP Code of Ethics was that of the audit firm only. We now recognize that this interpretation was incorrect and that the board has a fiduciary duty to ensure compliance. We regret the oversight and sincerely promise not to repeat the lapse.

Remedial actions

Internal controls: The board has re-emphasized the earlier adopted formal policy requiring audit engagement partners to rotate after five years and to serve a two-year cooling-off period before reengagement. The policy requires the audit committee to obtain and review an annual declaration from the external auditor confirming compliance.

Board resolution: A certified copy of the board resolution approving this re-emphasis policy and documenting the appointment of the new engagement partner is enclosed.

Training: The Company will refresh the training previously provided to directors, the Company Secretary, and senior management on the Listed Companies (Code of Corporate Governance) Regulations and the ICAP Code of Ethics to ensure full awareness of these requirements.

Future appointments: If RSRIR cannot provide a compliant engagement partner in the future, the Company will appoint another audit firm to ensure compliance.

We respectfully request the Commission to take a lenient view of this matter. The Company has already rectified the non-compliance by appointing a different engagement partner and has put in place robust controls to prevent recurrence. In similar cases decided by the Commission in 2025 (e.g., Amtex Limited, Gammon Pakistan, Olympia Mills and Towellers Limited), the Commission acknowledged the violations but, after noting that the companies had replaced the engagement partner and assured future compliance, concluded the proceedings with a warning and no monetary penalty. We submit that the circumstances here are at least as compelling: the re-appointment of Mr. Zubair Irfan Malik in FY2018 was necessitated by the sudden death of his successor and the pressing need to complete the statutory audit on time. The Company acted in good faith to protect shareholders and maintain regulatory compliance. We therefore request that this matter be disposed of with a warning.

The Company reaffirms its unwavering commitment to the highest standards of corporate governance and pledges to comply fully with all applicable laws and regulations going forward. We remain available to provide any further information or documentation the Commission may require."

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11. In order to provide an opportunity for personal representation and to meet the ends of justice, a hearing in the matter was fixed for November 03, 2025; wherein Mr. Omer Farooq, Director and Mr. Khawaja Safee Sultan, Company Secretary, appeared in person as the “Authorized Representatives” on behalf of the Noticee(s). During the hearing, the Authorized Representatives reiterated the submissions made in their written response and admitted the default. They further submitted that the Company had subsequently complied with the relevant requirements of the Regulations and COE by appointing Mr. Ali Raza Jaffery as the Engagement Partner for the financial year 2023. The Authorized Representatives assured that due compliance with the provisions of the Regulations, COE and the Act would be ensured in the future and requested leniency in the instant matter.

12. I have gone through the relevant provisions of Regulations 33(2) and 34(2) of the CCG 2017 and Section 290.149 of the COE 2015 and Regulations 32(2) and 33(2) of the CCG 2019 and Section 540.5 of the COE 2019 and considered the facts of the case, as well as the written and the verbal submissions made by the Noticee(s) through their Authorized Representatives. I have also perused provisions of Regulation 41 of the CCG 2017, Regulation 37 of the CCG 2019 and Section 512(2) of the Act which stipulate penal action for contravention of the afore-referred requirements. It is pertinent to observe that Regulation 33(2) of the CCG 2017 explicitly prohibits the appointment of any audit firm or partner that is non-compliant with the IFAC Code of Ethics as adopted by ICAP, while Regulation 34(2) of the CCG 2017 enforces a mandatory five-year (5) rotation of the engagement partner to avoid familiarity threats and to preserve professional skepticism. Section 290.149 of the COE 2015 further reinforces this principle by stipulating that a key audit partner may serve a public interest entity for a maximum of five (05) years, after which a two-year “cooling-off” period must be observed. These provisions are fundamental to ensuring that audit opinions remain independent, free from undue influence, and reflective of the true and fair view of a company’s financial position. Non-adherence to these requirements undermines the credibility of financial reporting and the confidence of shareholders and investors.

13. Similarly, Regulations 32(2) and 33(2) of the CCG 2019, retained and reinforced the core principle that no company shall appoint an external auditor or engagement partner who is non-compliant with IFAC’s ethical guidelines and rotate the engagement partner after every five (05) years. Furthermore, Section 540.5 of the COE 2019 introduced enhanced safeguards and clarified the concept of cumulative service periods, limiting the tenure of an engagement partner for a public interest entity to a maximum of five (05) cumulative years, followed by a mandatory five (05) consecutive years cooling-off period. The intent behind this more stringent limitation was to mitigate long association risks and ensure periodic refresh of independent audit judgment. Compliance with these rotation and cooling-off requirements is not merely procedural, rather it is a substantive measure to uphold audit independence and protect stakeholders’ trust in the audit process.

14. The arguments put forth by the Authorized Representatives that the non-compliance arose due to lack of understanding and clarity is untenable, as the requirements of the CCGs and in turn the COEs are mandatory in nature and constitute an essential part of the regulatory framework. The principle *ignorantia juris non excusat* (ignorance of the law excuses no one) is well established and particularly applicable to listed entities and their boards, which are expected to demonstrate the highest standards of regulatory awareness and compliance.

15. Furthermore, the assertion of the Authorized Representatives that compliance with the IFAC Guidelines on the Code of Ethics primarily rests with the external auditor is misconceived. While auditors have a professional duty to comply with the COEs, the responsibility for ensuring that only compliant auditors are appointed squarely rests with the Company’s BOD, as required under Regulation 33(2) of the CCG 2017 and Regulation 32(2) of the CCG 2019. In addition, Section 246(2) of the Act explicitly provides that auditors shall be appointed in the annual general meeting on the recommendation of the BOD, after obtaining the auditors’ consent, and that notice of such appointment shall be circulated to members accordingly. Therefore, the BOD is duty-bound to perform due diligence prior to making such recommendations and cannot shift or absolve itself of this statutory responsibility to the auditors under any circumstances, as the BOD is fully aware of its obligations and bears ultimate responsibility for compliance.

16. The contention of the Authorized Representatives that subsequent compliance was made by effecting the rotation of the Engagement Partner in the financial year 2023 is devoid of merit. It is a trite principle that post-facto compliance cannot efface or nullify an established violation of the requirements of law. Reliance in

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this regard is placed upon the judgment passed by the Appellate Bench of the Commission in the matter of *AKD Investment Management Limited vs. Director/HoD Adjudication-I* (cited as 2024 CLD 762), wherein it was held that “subsequent rectification actions do not absolve the Appellants from committed violations.” Similarly, in the case cited as 2017 CLD 1019, it was rightfully held by the Appellate Bench of the Commission that “...subsequent compliance cannot be a substitute of statutory [requirements]...the company being a public limited company has a responsibility to ensure full compliance of the provisions of the [law], therefore, the violation...cannot be excused and the penalty was rightly imposed on the Appellants.”

17. The reliance of the Authorized Representatives on past lenient decisions of the Commission is untenable, as each case is decided on its own facts and circumstances. Such decisions cannot be applied to subsequent cases and do not create any binding precedent in the matter at hand. Every matter is adjudicated independently, taking into account its specific facts, the duration and extent of the default, and the degree of oversight exercised by the Board.

18. In light of the foregoing, I am of the considered view that the contravention of the requirements of Regulation 34(2) and Regulation 33(2) of the CCG 2017 read with Section 290.149 of the COE 2015 and Regulations 33(2) and 32(2) of the CCG 2019 read with Section 540.5 of the COE 2019 have been established beyond doubt. It is, however, noted that the Noticee(s) have subsequently ensured compliance by effecting the rotation of the engagement partner in accordance with the applicable regulatory framework. Nevertheless, taking into consideration that the Noticee(s), through their Authorized Representatives, have admitted the default and undertaken to ensure strict compliance with the applicable provisions of the law in future by exercising greater vigilance in adhering to legal and regulatory requirement. I, therefore, in exercise of the powers conferred upon me under Regulation 41 of the CCG 2017 and Regulation 37 of the CCG 2019 read with Section 512(2) of the Act, S.R.O. 1545(I)/2019 dated December 06, 2019 and S.R.O. 1910(I)/2022 dated October 13, 2022, hereby conclude the instant proceedings by imposing an aggregate penalty of **Rs. 90,000/- (Pak Rupees Ninety Thousand Only)** on Noticee(s) No. (i) to (xi) in the following manner and a **Warning** to the Noticee No. (xii) i.e., the Company:


S. No.	Name of Noticee(s)	Periods(s)	Violation w.r.t COE 2015 read with CCG 2017	Violation w.r.t COE 2019 read with CCG 2019
1	Mr. Muhammad Kamran Saleem, Director	2021	-	5,000/-
2	Mr. M. Naseem Saigol, Chairman/Director	2018 & 2021	5,000/-	5,000/-
3	Mr. Muhammad Murad Saigol, Director/CEO	2018 & 2021	5,000/-	5,000/-
4	Mr. Muhammad Zeid Yousaf Saigol, Director	2018 & 2021	5,000/-	5,000/-
5	Syed Manzar Hassan, Director	2018 & 2021	5,000/-	5,000/-
6	Syed Haroon Rashid, Director	2018 & 2021	5,000/-	5,000/-
7	Ms. Azra Shoaib, Director	2018 & 2021	5,000/-	5,000/-
8	Mr. Asad Ullah Khawaja, Director	2018 & 2021	5,000/-	5,000/-
9	Mr. Usman Shahid, Director	2018	5,000/-	-
10	Sheikh Muhammad Shakeel, Director	2018	5,000/-	-
11	Mr. Jamal Baquar, Director	2018	5,000/-	-
Total			50,000/-	40,000/-

The Noticee(s) are further advised to ensure meticulous compliance with the applicable legal and regulatory framework in the future.

19. The Noticee(s) 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 (“SECP Act”).

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20. Without prejudice to the above, in case the Noticee(s) are aggrieved by this Order may, within thirty (30) days of the Order, may prefer to file review application in terms of Section 32B of the SECP Act or may file an appeal to Appellate Bench of the Commission in terms of Section 33 of the SECP Act in accordance with the procedure for filing an appeal as laid down under the Securities and Exchange Commission of Pakistan (Appellate Bench Procedure) Rules, 2003.


Sohail Qadri
Director/ HOD
Adjudication Department-I

Announced:
Dated: November 21, 2025
Islamabad

