



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department- I

### Adjudication Division

ORDER		
Name of Company:	M/s. D. S. Industries Limited	
Show Cause Notice No. & Date:	SCN/LCD/Adj-I/16481-954 dated October 09, 2025	
Noticee(s):	Names(s)	Period(s)
	(i) Mr. Pervez Ahmed, CEO/Director (ii) Mr. Ali Pervez Ahmed, Director (iii) Mr. Suleman Ahmed, Director/CEO (iv) Mr. Atta Ur Rehman, Director (v) Mr. Khawar Mahmud, Director (vi) Mr. Mazhar Pervez Malik, Director (vii) Mrs. Rukhsana Khalid, Director (viii) Mrs. Rehana Pervez Ahmed, Director (ix) Mr. Naeem Ilyas, Director (x) Mr. Haider Ali, Director (xi) M/s. D. S. Industries Limited <i>through Chief Executive Officer</i>	2021-2022 2021-2022 2021-2022 2021 2021 2021 2021-2022 2022 2022 2022
Date(s) of Hearing(s):	November 03, 2025	
Case represented by:	Mr. Shafqat Ali, Managing Partner, M/S. AFRAS & Company <i>As the Authorized Representative on behalf of all the Noticee(s).</i>	
Provision of law involved:	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/16481-954 dated October 09, 2025 (“**SCN**”) against M/s. D.S. Industries 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 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 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 Institute of Chartered Accountants of Pakistan (ICAP).

3. 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.

4. Review of the Annual Audited Financial Statements of the Company from the year ended June 30, 2015 to June 30, 2022 revealed that the Company appointed M/s. Rahman Sarfaraz Rahim Iqbal Rafiq

*Handwritten signature and date:*  
#eeeee  
1-11-2025

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, 2015 to June 30, 2016 and resumed the role of the Engagement Partner for the audit of the accounts of the Company for the years from June 30, 2018 to June 30, 2022 i.e., period of seven (07) years commutatively; thereby, exceeding the allowable cumulative five (05) year limit as prescribed under Section 540.5 of the COE 2019 read with Regulation 33(2) of the CCG Regulations. The details of appointments are tabulated below for ready reference:

Year ended	Auditor	Engagement Partner
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
<b>June 30, 2021</b>	<b>Rahman Sarfaraz Rahim Iqbal Rafiq, CAs</b>	<b>Mr. Zubair Irfan Malik</b>
<b>June 30, 2022</b>	<b>Rahman Sarfaraz Rahim Iqbal Rafiq, CAs</b>	<b>Mr. Zubair Irfan Malik</b>

5. 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 COE 2019 during the relevant periods respectively.

6. In order to probe the matter, the Commission sought an explanation from the Company vide letter dated August 11, 2025. In response, the Company, vide letter dated August 26, 2025, *inter alia*, submitted that:

*".....the requirement of cooling-off period could not be properly met due to the sudden demise of our engagement partner in 2018, Mr. Irfan Rehman Malik of the Audit Firm.*

*We therefore request your kind consideration in this matter and assure you that we shall exercise more vigilance and care in the future"*

7. In view of above, the Company and its BOD including the CEO, *prima facie*, contravened 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 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 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."*

8. 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

*Handwritten signature and date: 21-11-2025*

requirements of the Regulations and Act. In response, the Company vide letter dated November 03, 2025, *inter alia*, submitted as under:

*"Due to the sudden demise of engagement partner of the Company's statutory auditors, Mr. Irfan Rahman Malik of M/s Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, in 2018, the required cooling-off period could not be properly observed. This unforeseen event disrupted the regular rotation process otherwise adhered to by its statutory auditors.*

1. *We would like to further clarify that D.S. Industries Limited has been regularly rotating its statutory auditors in line with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. Most recently, the Company appointed M/s Rizwan & Company, Chartered Accountants as statutory auditors for the Financial Year 2023 onwards.*

2. *The Company appoints statutory auditors strictly based on the eligibility criteria prescribed for listed companies under the applicable laws and regulations. The appointment and rotation of engagement partners, however, fall within the exclusive responsibility of the audit firm concerned, as the Company has no role in nominating or selecting specific engagement partners.*

3. *Accordingly, Regulations 32(2) and 33(2) of the Code were not violated by the Company, as the audit firm engaged at the relevant time was duly compliant with the applicable requirements. The Company, therefore, did not appoint any non-compliant audit firm.*

*In view of the foregoing, we respectfully submit that D.S. Industries Limited is not directly responsible for the inadvertent non-compliance, which occurred solely due to the unfortunate and unforeseen demise of the engagement partner. Nonetheless, we assure the Commission that the Company shall exercise greater vigilance and care in the future to ensure continued compliance with all applicable laws and regulations.."*

9. 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. Shafqat Ali, Managing Partner, M/S. AFRAS & Company, appeared in person as the **"Authorized Representative"** on behalf of the Noticee(s). During the hearing, the Authorized Representative 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 M/S. Rizwan & Company., Chartered Accountants as the Auditors for the financial year 2023 onwards. The Authorized Representative 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.

10. I have gone through the relevant provisions of 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 Representative. I have also perused provisions of 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 Regulations 32(2) and 33(2) of the CCG 2019, stipulates 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.

11. The arguments put forth by the Authorized Representative 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 32(2) of the CCG 2019. In

*#ceag*  
*1-11-2025*

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.

12. The contention of the Authorized Representative that subsequent compliance was made by effecting change of the Audit Firm 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 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."

13. Moreover, it is observed that Noticee No. (i) i.e., Mr. Pervez Ahmed, had passed away prior to the initiation of the adjudication proceedings and therefore, the instant proceedings are being dropped against him on compassionate grounds.

14. In light of the foregoing, I am of the considered view that the contravention of the requirements of 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 change of its Auditors in accordance with the applicable regulatory framework. Nevertheless, taking into consideration that the Noticee(s), through their Authorized Representative, 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 37 of the CCG 2019 read with Section 512(2) of the Act, S.R.O. 1545(I)/2019 dated December 06, 2019, hereby conclude the instant proceedings by imposing an aggregate penalty of **Rs. 45,000/- (Pak Rupees Forty-Five Thousand Only)** on Noticee(s) No. (i) to (x) (except Noticee No. i) in the following manner and a **Warning** to the Noticee No. (xi) i.e., the Company:

S. No.	Name(s) of Noticee(s)	Violation w.r.t CCG 2019 read with COE 2019
1	Mr. Ali Pervez Ahmed, Director	5,000/-
2	Mr. Suleman Ahmed, Director	5,000/-
3	Mr. Atta Ur Rehman, Director	5,000/-
4	Mr. Khawar Mahmud, Director	5,000/-
5	Mr. Mazhar Pervez Malik, Director	5,000/-
6	Mrs. Rukhsana Khalid, Director	5,000/-
7	Mrs. Rehana Pervez Ahmed, Director	5,000/-
8	Mr. Naeem Ilyas, Director	5,000/-
9	Mr. Haider Ali, Director	5,000/-
<b>Total</b>		<b>45,000/-</b>

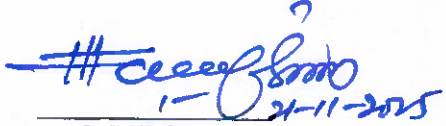
The Noticee(s) are further advised to ensure meticulous compliance with the applicable legal and regulatory framework in the future.

15. 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

# cleared  
1-8-2024  
2-11-2024

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").

16. 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.

  
1-21-11-2025  
**Sohail Qadri**  
Director/ HOD  
Adjudication Department-I

**Announced:**  
Dated: November 21, 2025  
Islamabad

