



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department-I

### Adjudication Division

*Before*

Shahzad Afzal Khan, Director/ Head of Department

*In the matter of*

Supernet Limited

Number and date of show cause notice: Adj.I/ARN/56/2024/332 dated June 20, 2024

Date of hearing: September 05, 2024

Present: Mr. Mudabbir Husain, Head-Human Resource, Mr. Muhammad Farhan Saeed, Advocate High Court, Mr. Ghufraan Shaheer Afaq, Manager- Corporate & Legal, and Mr. Zohaib Bin Mujahid, Manager-Human Resource; as the Authorized Representatives

### ORDER

#### Under Section 218 of the Companies Act, 2017 read with Sections 219 and 479 thereof

This order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the "Commission") through Show Cause Notice No. Adj.I/ARN/56/2024/332 dated June 20, 2024 ("SCN") issued under section 218 of the Companies Act, 2017 (the "Act") read with sections 219 and 479 thereof against Supernet Limited (the "Company").

2. Brief facts of the case are that:

- i. Examination of the annual financial statements for the year ended June 30, 2023 (the Accounts) of the Company revealed that the Company has maintained a Provident Fund (PF) Trust.
- ii. The Commission vide letter dated March 26, 2024, asked the Company to provide monthly payment schedule of PF since July 01, 2022. The Company in its response dated May 06, 2024 submitted the payment schedule, details of which are tabulated below:

Sr. #	Month	Date of PF Deduction	Date of Payment to PF	Delay (No. of Days)
1	July 2022	04-08-2022	18-08-2022	-
2	August 2022	05-09-2022	27-09-2022	07
3	September 2022	06-10-2022	18-10-2022	-



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4	October 2022	04-11-2022	24-11-2022	05
5	November 2022	06-12-2022	17-01-2023	27
6	December 2022	31-12-2022	17-01-2023	02
7	January 2023	31-01-2023	23-02-2023	08
8	February 2023	03-03-2023	03-04-2023	16
9	March 2023	03-04-2023	04-05-2023	16
10	April 2023	17-04-2023	23-05-2023	21
11	May 2023	02-06-2023	14-07-2023	27
12	June 2023	22-06-2023	26-07-2023	19
13	July 2023	01-08-2023	19-09-2023	34
14	August 2023	01-09-2023	13-10-2023	27
15	September 2023	05-10-2023	13-10-2023	-
16	October 2023	08-11-2023	08-12-2023	15
17	November 2023	06-12-2023	04-01-2024	14
18	December 2023	02-01-2024	15-02-2024	29
19	January 2024	02-02-2024	07-03-2024	19
20	February 2024	04-03-2024	18-04-2024	30
21	March 2024	03-04-2024	18-04-2024	-
22	April 2024	02-05-2024	08-05-2024	-

iii. Review of the above-mentioned payment schedule revealed that, except for the months of July 2022, September 2022, September 2023, March 2024 and April 2024, the Company delayed payment of monthly PF contributions to the trustees beyond fifteen (15) days from the date of collection, *prima facie*, contrary to the requirement prescribed under section 218(3) of the Act.

3. In order to take cognizance of the aforesaid contraventions, SCN was issued to the Company requiring it to show cause in writing within fourteen (14) days, as to why penalty may not be imposed on it for the aforesaid non-compliances. In response to the SCN, Mr. Jamal Nasir Khan, Director/Chief Executive Officer vide letter dated July 03, 2024, *inter alia* submitted as under:

*"Kindly be apprised that Supernet Limited 'the Company' was issued a similar Show Cause Notice 'SCN' bearing No. ADJ.I/ARN/46/2023-223 dated 08 September 2023 under the same provisions of the Companies Act, 2017 for the FY ended 30 June 2022, followed by an opportunity of hearing on 16 October 2023 and subsequently an Order bearing No CSD/ARN/463/2023-261 dated 23 October 2023 was issued by SECP which was duly complied with.*

*Now, the Company desires to place on record that the captioned SCN almost pertains to the period covered above. Further, the delay under the said provisions of the Act, 2017 is attributable to the fact that the Trust of the Company is being maintained by its holding*



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*company and also operates as the Trust of its other subsidiaries having different salary disbursement dates. Hence, the delay was on account of gathering the contributory amount from all its subsidiaries as apprised earlier in our hearing conducted in the preceding year. However, it is pertinent to mention that the referred irregularities have been accounted for in succeeding year.*

*In view of the foregoing, it is requested to kindly take a lenient view of our submission with a request to condone the delay, going forward timely compliance with the aforesaid provisions."*

4. In order to provide opportunity of personal representation, hearing in the matter was fixed for September 05, 2024 wherein Mr. Mudabbir Husain, Head-Human Resource, Mr. Muhammad Farhan Saeed, Advocate High Court, Mr. Ghufraan Shaheer Afaq, Manager-Corporate & Legal and Mr. Zohaib Bin Mujahid, Manager-Human Resource appeared on behalf of the Company as its Authorized Representatives (**the Representatives**). The Representatives, *inter alia*, submitted that:

- The earlier reply submitted vide letter dated July 03, 2024 is reiterated;
- Subsequent to the SCN, the Company has streamlined the process of the payment accordingly;
- Subsidiary company manages the Trust of the Company and the delays in the payment occurred due to human negligence;
- There was no shortage of funds; and
- This issue has been resolved in February 2024.

5. Relevant provisions of the Act are reproduced as under:

**Section 218 of the Act:**

**"218. Employees' provident funds, contributory retirement funds and securities.– (3)**  
*Where a trust has been created by a company with respect to any provident fund or a contributory pension funds or any contributory retirement fund referred to in sub-section (2), the company shall be bound to collect the contribution of the employees concerned and pay such contributions as well as its own contributions, if any, to the trustees within fifteen days from the date of collection, and thereupon, the obligations laid on the company by that sub-section shall devolve on the trustees and shall be discharged by them instead of the company."*

**Section 219 of the Act:**

**"219. Penalty for contravention of section 217 or 218.– Any contravention or default in complying with requirements of sections 217 or 218 shall be an offence liable to a penalty of level 1 on the standard scale and shall also be liable to pay the loss suffered by the depositor of security or the employee, on account of such contravention."**

6. I have reviewed the facts of the case, considered the written and verbal submission made by the Representatives in light of the applicable legal provisions and records placed before me. At this juncture, it is imperative to address the following:



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(i) **Whether the payment of contributions of PF within the stipulated time of fifteen days are obligatory?**

At the outset, section 218(3) of the Act, mandates that the Company must collect the contributions from the employees and pay these, along with its own contributions (if any), to the trustees of the PF within fifteen days from the date of collection. This requirement is essential to ensure the timely and efficient management of the PF.

In the instant matter, the Company failed to make the payments within the stipulated time, citing delays due to the involvement of a subsidiary in managing the trust and human negligence. However, this justification is not tenable, as the Company is bound to transfer the contributions within the fifteen-day period and is responsible for ensuring timely payments, regardless of internal arrangements.

(ii) **Whether the Company made delays in payment of contributions to the trustees?**

The Company made delays in payment of the contributions of the PF amounts to the trustees during the financial year 2023. According to the payment schedule provided, delays ranged from 2 to 34 days for various months. These delays contravene section 218(3) of the Act, which mandates that contributions must be paid to the trustees within fifteen days from the date of collection. The Company's failure to adhere to this timeline constitutes a violation of the statutory requirement. The observed delays in the payment schedule clearly indicate non-compliance with the prescribed legal timeframe.

(iii) **Assertion that the SCN addresses a similar violation pertaining to the same period as addressed in the previous SCN dated September 08, 2023:**

It is pertinent to mention that the violations addressed in the previous SCN dated September 08, 2023, and the subsequent order dated October 23, 2023, pertain to the financial year ended June 30, 2022. The current SCN, dated June 20, 2024, pertains to violations for the financial year ended June 30, 2023

Period Covered in SCN dated September 08, 2023 and Subsequent Order October 23, 2023	Period Covered in the current SCN dated June 20, 2023
July, 2021 to June, 2022	July, 2022 to April, 2024

The above table shows that the periods covered by the SCNs are distinct. The previous SCN and the order specifically addressed violations for the last, whereas the current SCN addresses the subsequent period.

Furthermore, it is also observed that despite the issuance of the order on October 23, 2023, the Company continued to delay payments of PF contributions to the Trustees. This ongoing delay highlights the Company's persistent non-compliance with



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statutory requirements, demonstrating a continued failure to meet regulatory obligations.

(iv) **Subsequent Compliance with the provisions prescribed under the Act, absolves the Company from the non-compliance made:**

No, subsequent compliance does not absolve the Company of the violations that occurred during the period in question. The requirement to pay contributions within fifteen days is a legal obligation that must be adhered to at the relevant time. The Company may have addressed and streamlined the payment process after February 2024, but this does not negate the earlier failures to comply with the statutory requirement. Non-compliance during the specified period remains a breach of the law, irrespective of subsequent improvements or rectifications.

7. In view of the aforesaid, it is established that the Company has contravened the provisions of section 218 of the Act at relevant point in time and is liable for penalty under section 219 of the Act read with Section 479 thereof. Therefore, I, in exercise of the powers conferred under section 219 and section 479 of the Act hereby, conclude the proceedings initiated through the SCN by imposing a penalty of **Rs. 25,000/- (Rupees Twenty-Five Thousand Only)** on the Company and advise it to ensure compliance with the applicable legal framework in letter and spirit in future.

8. The aforesaid penalty must be deposited in the designated bank account maintained with MCB Bank Limited or United Bank Limited in the name of the Securities and Exchange Commission of Pakistan within thirty days from the receipt of this order and furnish receipted bank vouchers to the Commission. In case of non-deposit of the penalties, proceedings for recovery of the fines as arrears of land revenue in terms of Section 485 of the Act will be initiated.

9. Nothing in this Order may be deemed to prejudice operation of any provision of the Act providing for imposition of penalties in respect of any default, omission, violation of the Act.

(Shahzad Afzal Khan)  
Director/ HOD  
Adjudication Department-I

**Announced:**

Dated: September 12, 2024  
Islamabad

