



# 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*

**Dewan Sugar Mills Limited**

Number and Date of SCN: CSD/ARN/553/2018-376  
dated July 30, 2024

Hearing Date: September 10, 2024

Present: Mr. Muhammad Hanif German, Company Secretary;  
as the Authorized Representative

### ORDER

#### Under Section 237 of the Companies Act, 2017 and Section 479 thereof

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the "Commission") through Show Cause Notice CSD/ARN/553/2018-376 dated July 30, 2024 (the SCN) issued under section 237 of the Companies Act, 2017 (the Act) and section 479 thereof read with Circular No.11 dated August 11, 2023 (the Circular) against the Board of Directors and Chief Financial Officer (CFO), hereinafter collectively referred to as the Respondents, of Dewan Sugar Mills Limited (the Company).

2. Brief facts of the case are the relevant record of the Commission 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 Transmission of Quarterly Financial Statements with the Registrar/Commission
31-Mar-24	30-May-24	04-July-24 (delay of 34 days)

3. In view of above, the directors, chief executive officer (CEO), and chief financial officer (CFO) of the Company have, *prima facie*, contravened the provisions of section 237 of the Act read with the Circular, by filing/transmitting the above-mentioned QFS through eServices/eZfile with the Registrar/Commission with a delay of 34 days. Moreover, the QFS for the aforesaid period was also posted on the Company's website with the same delay



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4. Consequently, the 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 of section 237 of the Act read with the Circular. However, the Respondents did not submit reply in response to the SCN.

5. To provide an opportunity for personal representation, a hearing in the matter was fixed for September 10, 2024, wherein Mr. Muhammad Hanif German, Company Secretary of the Company, appeared as the authorized representative on behalf of the Respondents (**the Representative**). During the course of hearing, the Representative, *inter alia*, submitted as under:

- No operations in last 2 to 3 years;
- Default occurred due to shortage of staff;
- Subsequent submission of QFS has been made; and
- Requested to take lenient view.

6. Subsequent to the hearing, the Representative vide letter dated September 19, 2024 submitted written response, *inter alia*, as under:

- Acknowledged that the company has failed to meet the prescribed deadline for the submission of its financial statement, which was neither intentional nor willful.
- The Company is operating in a seasonal industry, which often results decrease in staffing levels and operational activities.
- The unforeseen circumstance due to the nature of business hindered the ability to complete and transmit the financial statements within the stipulated timeframe.
- The Respondents understand the importance of timely compliance with regulatory requirements and assured that steps have been taken to prevent such delays in future.
- Requested the commission to consider the circumstances outlined above and extend a reasonable deadline for the submission of financial statements and requested to kindly take a lenient view in this regard.

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 :-*

- 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, written and verbal submission made by the Respondents and their Representative on the basis of the relevant



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provisions of the Act, and the available record. At this juncture, it is imperative to address the following:

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

Yes, 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/Commission not only provide to its users a reliable source of information regarding a Company's financial position and performance, but also shows the results of the management's stewardship of resources entrusted on to it. 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 this context, the Respondents cannot absolve themselves from their statutory duties pertaining to preparation and filing/transmission of the QFS in a timely manner as stipulated under the Act.

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

Yes, 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, a review of the Company's records revealed that the Respondents filed/transmitted the QFS for the period ended March 31, 2024, with a delay of 34 days, pursuant to section 237 of the Act read with the Circular. As a result, the Respondents deprived stakeholders/members of timely access to this key source of information, undermining their ability to assess the Company's financial status and make informed decisions in a timely manner.

(iii) **Whether justified reasons provided for the delay in filing/transmitting the QFS?**

The Respondents acknowledged that the delay was neither intentional nor willful, it is essential to note that regulatory compliance under the Act is mandatory. Section 237 of the Act explicitly mandates timely submissions, and any failure to comply, regardless of the underlying reasons, constitutes a violation. Moreover, the assertion that the Company operates in a seasonal industry leading to decreased staffing levels does not absolve the Respondents of their fiduciary responsibilities. Management is expected to plan for such operational challenges and ensure adequate staffing or alternative measures needs to be placed to meet regulatory deadlines. The Respondents' failure to provide details regarding the unforeseen circumstances that hindered compliance, and the lack of adequate management measures to prevent the delay, indicate that the explanation provided is not cogent. Therefore, the Respondents did not fulfill their statutory obligations as mandated by the Act, which constitute a violation of section 237 of the Act read with the Circular, as the reasons provided by the Respondents for the delay in filing/transmitting the QFS are not cogent to justify the aforesaid violation.



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9. In view of the above, it is established that the Respondents have failed to timely file/transmit the Company's QFS for the period ended March 31, 2024 and submitted the same with the Registrar/Commission with a delay of 34 days. Therefore, in exercise of the powers conferred under sub-section (4) of section 237 of the Act, I hereby impose an aggregate penalty of **Rs. 80,000 (Pak Rupees Eighty Thousand only)** on the Respondents in the following manner and advise them to ensure meticulous compliance with the applicable legal and regulatory framework in future:

Sr. #	Name of Respondents	Amount in Rupees
1	Mr. Ishtiaq Ahmad	10,000
2	Mr. Aziz-ul-Haque	10,000
3	Syed Maqbool Ali	10,000
4	Mr. Mehmood-ul- Hassan Asghar	10,000
5	Mr. Abdul Basit	10,000
6	Mr. Ghazanfar Babar Siddiqi	10,000
7	Ms. Nida Jamil	10,000
8	Mr. Muhammad Ilyas Abdul Sattar	10,000
Total		80,000

10. The aforementioned penalties 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 (30) days from the receipt of this Order, and duly deposited bank challan shall be furnished to the Commission. In case of non-deposit of the penalties, proceedings for recovery under Section 485 of the Act as arrears of land revenue will be initiated. It may also be noted that the penalty has been imposed on the Respondents in their personal capacity; therefore, they are required to pay the said amount from personal resources.

11. Nothing in this Order may be deemed to prejudice the operation of any provisions of the Act providing for imposition of penalties on Respondents in respect of any default, omission or violation thereof.

Mahboob Ahmad  
Additional Director/ Head of Wing  
Listed Companies Wing,  
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**Announced:**  
September 30, 2024  
Islamabad