



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

(Adjudication Department-II, Adjudication Division)

4th Floor State Life Building No.2, Wallace Road, Karachi.

Website: www.secp.gov.pk

CASE No. 13/2023

BEFORE THE ADJUDICATING OFFICER

ORDER UNDER SECTION 132 READ WITH SECTION 479 OF THE COMPANIES ACT, 2017

IN THE MATTER OF M/S. MAHFOOZ (PRIVATE) LIMITED

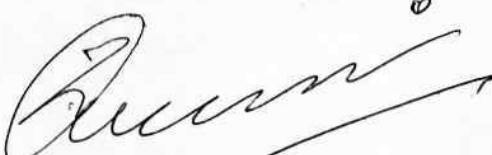
Date of Final Hearing: 06-February-2023

Present: **Mr. Muhammad Sarfraz (Authorized Representative)**

1. This Order shall dispose of the proceedings initiated under Section 132 of the Companies Act, 2017 (The Act), vide Show Cause Notice dated 18-01-2023 [“the Notice”].
2. The facts of the case are that the financial year of the M/S. MAHFOOZ (PVT.) LTD. (“the Company”) closes on 30th June every year and it was required to hold its AGMs within 120 days from the close of its financial year i.e. on or before 28th October every year. However, as per records maintained by the dealing/concerned registrar, it was observed that the company filed multiple / revised calendar year ended returns on dated 30 November, 2022; for the years 2017, 2018, 2019, 2020 and 2021 and it was mentioned in column No.1.5 of each Form-A that “AGM NOT HELD”. This substantiate that the company has admitally committed the default in making compliance with the provisions of law.
3. The afore mentioned facts depict that the company failed to hold its AGMs for the years 2017,2018,2019,2020 and 2021 within statutory period and prima facie, violated the provisions of section 132(1) of the Act, which provides that Every company, shall hold, an annual general meeting within sixteen months from the date of its incorporation and thereafter once in every calendar year within a period of one hundred and twenty days following the close of its financial year.
4. The aforesaid violation attracts the penal provisions of sub-section-5(b) of section-132 of the Act which provides that any violation of Section-132 shall be an offense liable to a penalty of Level-1 of the standard scale, i-e up-to Rs.25,000/- and upto Rs.500/- per day during which default continues, as provided u/s 479(2) of the Act. Accordingly, taking cognizance of the matter, a Show Cause Notice dated 18-01-2023 was served to the company calling upon them to Show Cause in my office on 27-01-2023 and subsequently adjourned to 06-02-2023 (vide reminder notice dated 27-01-2023), as to why the penalty laid down under the above mentioned section should not be imposed.
5. On the date of hearing, Mr. Muhammad Sarfraz (Authorized Representative) of the Company appeared before me in person. While admitting the default he submitted in the light of his written reply dated 06-02-2023 that the reason for non-holding Annual General meeting during the prescribed time limit was that the company is a

family concern and was being run by two directors. One director (Mr. Marzook Mahfooz) who was holding 98% shares died on 5th September, 2015. This fact was reported to SECP accordingly. The other director was old aged with ill health, therefore business of the company was closed for last may years. Mr. Ali Mahfooz, the only son of the deceased director was taken on the board to fill the vacancy but he could not participate in the business activities due to his studies and other family matters. Therefore, business activities of the company remained closed. Further, Covid-19 pandemic caused delay in starting of business operations of the company and political uncertainty in the country also cause the delay. During the year 2022, board decided to activate the company by filing all statutory returns of the company. Therefore, AGM was held and statutory returns were filed. Mr. Matook Mahfooz, has resigned CEO/Director of the company and Mr. Ali Mahfooz was appointed as CEO on 15.10.2022 to activate the company with new director. Due to above stated reasons, AGMs could not be held within stipulated time limit. Late filing of returns and late holding of AGMs were not done knowing or willingly and no one has been affected as the company is a private limited company and a family owned concern. Accordingly, he requested to take a lenient view. He further submitted that the company's bank account status is still inactive due to non-availability and updating of NTN member.

6. The above argument was heard and considered. Although, there was no business activity during the period as per submission of the company, the second director was appointed on 11.09.2015 and shares were transferred in the name of legal heirs of the deceased in 2017, the company could hold AGMs and particularly being a family owned company, there could have not been any difficulty in holding AGMs timely, except negligence and carelessness on the part of the management.
7. Yet, the contention of the Authorized Representative for the non-compliance of law is a justifiable excuse to some extent, it also shows negligence on the part of management of the company who is responsible to manage, pursue and make sure that the compliances are being made timely and strictly in accordance with the law. However, keeping in view the aforesaid facts of the case and assurance given by the Authorized Representative that no such default would be repeated in future and the company shall ensure proper and timely compliance of statutory requirements of law, I am convinced to take a lenient view. Besides, there is no evidence available on the record which could jeopardized the interest of any stakeholder. Hence, a token penalty of **Rs.50,000/-** is imposed on the company.
8. The management of the company is advised to deposit the penalty amount within 30 days from the date of receipt of this order in any designated branches of MCB Bank Limited or UBL Bank and furnish original receipted challan to this office within the above said period positively.
9. A copy of this order be placed on the record of company maintained by the dealing Registrar of the Company Registration Office.


(ZIA UL RASHEED ABBASI)
ADJUDICATING OFFICER /
ADDITIONAL REGISTRAR

Dated: 20-February-2023