**Before**

**Amir M. Khan Afridi, Director/HOD (Adjudication-I)**

**In the matter of Show Cause Notice issued to Dewan Farooque Motors Limited**

|  |  |
| --- | --- |
| Date of Hearing | July 03, 2020, July 20, 2020, March 11, 2021, April 16, 2021, August 30, 2021August 30, 2021 |

**Order-Redacted Version**

Order dated October 28, 2021 was passed by Director/Head of Department (Adjudication-I) in the matter of Dewan Farooque Motors Limited. Relevant details are given as hereunder:

|  |  |
| --- | --- |
| **Nature** | **Details** |
| 1. Date of Action
 | Show cause notice dated June 18, 2020  |
| 1. Name of Company
 | Dewan Farooque Motors Limited (DFML) |
| 1. Name of Individual\*
 | The proceedings were initiated against the Board of Directors |
| 1. Nature of Offence
 | Under Section 199 read with Section 479 of the Companies Act, 2017 |
| 1. Action Taken
 | Key findings were reported in following manner:I have gone through the facts of the case, relevant legal provisions & their requirements and submission made by the Respondents both in writing and verbally and observed that:i) Daehan-Dewan Motor Company (DDMC) is an associated company of DFML and as at year ended June 30, 2018, an amount of Rs.74.830 million (2017: Rs.63.311 million) was receivable on account of shared expenses and sales to DDMC;ii) out of total amount extended to DDMC, Rs.40.533 million was on account of trade debts with extended credit period of 150 days and no markup was charged on such abnormal trade credit; iii) and an amount of Rs.34.295 million was outstanding on account of shared expenses and no markup was charged on such outstanding amount.In view of the above, the amount receivable from DDMC was not in nature of normal trade credit and no markup / interest was being charged on amount extended to DDMC. Therefore, I am of the considered view that the respondents have defaulted in compliance of subsection (1) of Section 199 of the Act. It is however noted that the Company has provided financial statements for year ended June 30, 2019 reflecting recovery of trade debt receivable from DDMC. Taking cognizance of the submissions of the Respondents and in terms of powers conferred under subsection (6) of section 199 of the Act, I hereby impose a cumulative penalty of Rs. 70,000 on the Respondents. Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for imposition of penalties in respect of any default, omission or violation of the Act. |
| 1. Penalty Imposed
 | A cumulative Penalty of Rs. 70,000/- (Rupees Seventy thousand only) was imposed on the Respondents.  |
| 1. Current Status of Order
 | No Appeal has been filed by the respondents. |