



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of Company:	M/s Soon Valley Development Program
Show Cause Notice No. & Date:	No. SECP/SCD/Adj-I/SVDP/55/2022-318 dated February 10, 2025
Respondents:	(i) Mr. Aijaz Hussain, Director; (ii) Mr. Malik Sher Afzal, Director; (iii) Mr. Muhammad Fahad Naeem, Director; and (iv) M/s Soon Valley Development Program
Date(s) of Hearing(s):	March 10, 2025
Case represented by:	(i) Mr. Malik Sher Afzal – Director (ii) Mr. Aijaz Hussain – Director and (iii) Mr. Amir Khan Afridi – Consultant
Provision of law involved:	Section 282J (1) of the Companies Ordinance, 1984 for Contravention of Rule 7(1)(da) read with Schedule-I of the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003
Date of Order:	April 15, 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. SECP/SCD/Adj-I/SVDP/55/2022-318 dated February 10, 2025 (“SCN”) against M/s Soon Valley Development Program (the “Company”) and its Board of Directors (“BoD”), hereinafter collectively referred to as the “Respondents”, for contravention of the requirements of rule 7(1)(da) and Schedule I of the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the “NBFC Rules”), read with Section 282J (1) of the Companies Ordinance, 1984 (the “Ordinance”).

2. The Company was incorporated on December 01, 2014 as a Public Unlisted Company and was licensed by the Commission as a Non-Banking Finance Company (“NBFC”) under the NBFC Rules on January 13, 2017 to undertake Investment Finance Services, restricted to microfinancing.

3. The provisions of rule 7(1)(da) read with Clause 7 of Schedule I of the NBFC Rules provide that a NBFC shall furnish to the Commission its annual financial statements in accordance with requirements of Schedule I of the NBFC Rules which in turn refer to the requirements of the Ordinance; now the Companies Act, 2017 (the “Act”). The corresponding provisions of the Act set forth the following requirements for the submission of annual audited financial statements:

- (i) Section 223(2) of the Act requires that; “(2) *The financial statements must be laid within a period of one hundred and twenty days following the close of financial year of a company.*”
- (ii) Section 233(1) of the Act requires that; “(1) *Without prejudice to the provisions of sub-section (5) of section 223, after the audited financial statements have been laid before the company at the annual general meeting and duly adopted, a copy of such financial statements together with reports and documents required to be annexed to the same, duly signed in the manner provided by section 226, 232 and 251, shall be filed by the company with the registrar within thirty days from the date of such meeting in case of a listed company and within fifteen days in case of any other company.*”
- (iii) Section 132(1) of the Act requires that; “(1) *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. In terms of aforesaid provisions of the NBFC Rules read with the relevant provisions of the Act, the Company was required to hold its Annual General Meeting ("AGM") within one hundred and twenty days following the close of its financial year and was further required to file its annual audited financial statements for the year ended June 30, 2024 by **November 12, 2024**. However, the Company failed to file its annual audited financial statements with the Registrar within the due time.

5. In order to probe the delay, the Commission vide email dated December 20, 2024 sought justification from the Company for non-submission of annual audited financial statements with the Registrar. In response, the Company vide email dated January 08, 2025 shared a letter of statutory auditor along with the following response:

"I am to inform you that audit firm Crowe Hussain Chaudhury & Co undertook annual audit of the SVDP for the year 2023-2024. They have completed their audit work, however they have not provided us their report as yet. We are constantly in touch with the audit firm and shall furnish the requisite report to the SECP as and when received."

6. On receipt of the above response, the Commission vide email dated January 24, 2025 advised the Company to share evidence of extension/ direction if so obtained in light of letter of statutory auditor; however, no reply/ submissions were made by the Company. Be that as it may, the above-referred response of the Company was not found cogent, since the obligation to prepare and file annual accounts as well as to hold the AGM lies with the Company and delay in completion of audit does not exempt it from the statutory requirements. Hence, the Respondents, *prima-facie*, failed to comply with the requirements of rule 7(1)(da) read with Schedule I of the NBFC Rules, which attracts penal actions under Section 282J (1) of the Ordinance. The relevant provisions of law as applicable are reproduced hereunder:

Rule 7(1)(da) of the NBFC Rules:

"(1) A NBFC shall

(da) furnish to the Commission its quarterly and annual financial statements in accordance with Schedule I"

Section 282J (1) of the Ordinance:

"Penalty for failure, refusal to comply with, or contravention of any provision of this Part.-

(1) Notwithstanding anything contained in any other provision of this Ordinance, if a NBFC or the notified entity or its officers (including auditors) fails or refuses to comply with, or contravenes any provision contained in this Part or of any of the provisions of the rules or regulations made under section 282 B or regulation, circular or directive or any direction or order passed by the Commission under the provisions contained in this Part or knowingly and willfully authorizes or permits such failure, refusal or contravention, shall, in addition to any other liability under this Ordinance, be also punishable with fine the amount of which shall not exceed fifty million rupees:

Provided that if the failure, refusal, default, contravention is committed by NBFC or the notified entity, every director, manager, or other officer or person responsible for the conduct of its affairs shall, unless he proves that the failure or contravention or default took place or committed without his knowledge, or that he exercised all diligence to prevent its commission, be deemed to be guilty of the offence."

7. Accordingly, a SCN was served upon the Respondents on February 10, 2025 to show the cause in writing as to why a penal action may not be taken against them for non-compliance with the provisions of rule 7(1)(da) of the NBFC Rules. However, no response was submitted by the Respondents.

8. In order to provide an opportunity of being heard to the Respondents, hearing in the matter was first fixed for March 07, 2025; however, it was rescheduled upon request of the Respondents for March 10, 2025, on which date Mr. Malik Sher Afzal – CEO/ Director, Mr. Aijaz Hussain – Director and Mr. Amir Khan Afridi - Consultant (the "**Authorized Representatives**") appeared and *inter-alia* submitted that:

- (i) *The client base of the Company comprises of small borrowers. The operations of the Company were severally impacted due to COVID-19 which reduced repayment capacity of its client and later to leadership issues after demise of ex CEO.*

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- (ii) *The stoppage of lending to the Company by Pakistan Microfinance Investment Company ("PMIC") and lack of recovery of loans led to liquidity issues, resultantly the Company had to stop new lending and to curtail its expenses by closing six branch offices.*
 - (iii) *Application for renewal of license of the Company has also been put on hold by the Commission, therefore, none of the banks are willing to lend. A special audit was also conducted on demand of PMIC in June 2023.*
 - (iv) *Currently recovery is being made through filing civil petitions against the defaulters which has resulted in substantial reduction in the outstanding loan amount has been substantially reduced. Further existing loan of PMIC has been restructured and an agreement for a new loan therefrom has been finalized.*
 - (v) *The Company has started lending and disbursed almost Rs. 8 million and has made a profit of Rs. 3.1 million since June 2024.*
 - (vi) *The Company had historically held its annual general meetings during the month of October. However, the AGM to approve and adopt financial statements for the year ended June 30, 2024 could not be held in a timely manner due to challenges faced by the Company. However, audit of financial statements for the year ended June 30, 2024 is now complete and the report is expected to be received soon. Accordingly, the AGM is expected to be held by April 15, 2025 followed by filing of annual audited financial statements with the Registrar.*
 - (vii) *The Commission is requested to take lenient view in the matter considering the operational challenges faced by the Company.*
9. During the hearing, a written response dated March 10, 2025 was submitted by the Authorized Representatives, *inter alia*, stating that:
- (i) *During the last few years the Company faced various challenges including COVID-19 in 2020 and leadership crisis following demise of CEO in June 2021. COVID-19 impacted the capacity of clients to payback the outstanding loans. This resulted in suspension in operations of the Company in June 2022 and stoppage of new lending by the Company.*
 - (ii) *PMIC, the sole lender, stopped its lending to the Company thereby creating a liquidity crisis for the Company which prevented it from meeting the operational expenses.*
 - (iii) *The audit for financial year ended June 30, 2023 transpired several issues relating to financial losses, disbalanced operational costs and on-going impact of stuck-up loans. Considering the said situation, the management initiated restricting of board of the Company, legal proceedings for recovery of loans, reduction of staff and closure of six branches to curtail expenses and resumption of lending. Further continuous negotiation with PMIC resulted in finalization of a restructuring plan whereby PMIC waived accumulated services charges of Rs. 42.837 million and agreed on a four year repayment plan for outstanding principal loan amount of Rs. 120 million.*
 - (iv) *The quantum of stuck-up loan reduced from Rs. 45.60 million in January 2024 to Rs.38 million in December 2024 and the operations of the Company have been turned around by December 2024. The progress of the Company against the performance indicators mentioned in the business plan is being monitored by PMIC.*
 - (v) *The non-compliance of rule 7(1)(da) of the NBFC Rules relating to non-filing of annual audited financial statements for the year ended June 30, 2024 with the Registrar is neither intentional nor willful but merely due to the above-stated factors. The final audited financial statements for the year ended June 30, 2024 are expected to be received within a month from the auditor and thereafter upon adoption in the general meeting, the same will be filed with the Registrar.*
 - (vi) *Given the aforesaid challenges and factors, it is requested that the contravention of rule 7(1)(da) may kindly be condoned.*

10. I have gone through the relevant provisions of rule 7(1)(da) of the NBFC Rules, and considered the facts of the case, available record of the Company, as well as written and verbal submissions of the Authorized Representatives. I have also perused Section 282J(1) of the Ordinance, which stipulates penal provisions for contravention of the afore-referred provision of the law. I have noted that in terms of rule 7(1)(da) of the NBFC Rules, every NBFC is required to file its annual audited financial statements within fifteen days of their adoption in the annual general meeting; which, in turn, is required to be held once in every calendar year within a period of one hundred and twenty (120) days following the close of its financial year.

11. The holding of AGMs and filing of audited financial statements in a timely manner is a crucial legal requirement that ensures transparency, accountability, shareholder engagement and provides an accurate reflection of its financial health to all stakeholders. The audited financial statements allow shareholders, creditors, and regulators to assess the financial position of the company, fostering transparency and trust and delays in their filing may create uncertainty, undermine investor confidence and promote accountability within the company. Adhering to legal provisions under the Act is essential for protecting shareholders' rights, fostering trust, and promoting good corporate governance. A public company must meet its statutory duties to hold AGMs and file audited financial statements with the Registrar, in time, facilitating open communication and feedback from its shareholders. Accordingly, the Respondents were obligated to hold the AGM of the Company for the financial year 2023-24 by October 28, 2024 and to file the approved annual audited financial statements with the Registrar by November 12, 2024, which they have evidently failed to do so. The details are tabulated as below:

AGM Due Date as per the Act	Audited Accounts filing Due Date	AGM Actually held on	Audited Accounts Filed on
October 28, 2024	November 12, 2024	Not yet	Not submitted

It is crucial to note that the law clearly specifies the timelines and procedure for these actions, therefore, the failure of Respondents to hold the AGM and file the annual financial statements in a timely and prescribed manner, as stated above, is a contravention of rule 7(1)(da) read with Schedule I of the NBFC Rules.

12. In a judgment passed by the Appellate Bench of the Commission in the matter of *TRG Pakistan Limited vs. the Securities and Exchange Commission of Pakistan* (2011 CLD 1647), it was, *inter-alia*, held that "Company had failed to hold Annual General Meeting for relevant year, even within extended time; and Directors of the company had also failed to lay before the company in Annual General Meeting a balance-sheet and profit and loss account for relevant year, within stipulated period---Reasons put forth by the authorized representative of the company, did not carry merit and did not justify the default---Directors of the company were responsible to hold timely Annual General Meeting for providing timely information to its shareholders in order to enable them to consider and approve the significant matters like approval of accounts, appointment of auditors, election of Directors, performance of the company and other important issues relating to the company---Directors of the company had admitted their failure to fulfil the responsibility entrusted to them in the Companies Ordinance, 1984 with respect to presenting the financial statements of the company and holding Annual General Meeting for the approval of financial statements within the stipulated period---Explanations with regard to company's failure to furnish copy of its Annual report and other financial statements of the company to the Commission within the prescribed time as required under R.7(1) of Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, did not prove that failure or contravention or default took place or was committed without the Directors' knowledge---."

13. The Respondents have also contended that filing of audited financial statements to the registrar has been delayed owing to the delay on part of the auditor in submission of his audit report for the financial year 2023-24 even after completion of audit. However, this argument does not hold an admissible basis, since the Respondents themselves had a legal and fiduciary responsibility to plan their operations and reporting cycles in compliance with statutory deadlines. Delays indicate lack of robustness in terms of ensuring compliance efficaciously as the Respondents were required to schedule the audit and financial statement preparations well in advance to meet statutory obligations of reporting requirements to ensure desirable transparency and

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accountability. In the case cited as 2017 CLD 1019, the appellants argued that it was the *responsibility of the chartered accountant which the Company had hired to ensure compliance of relevant provisions of the Ordinance*; however, the non-compliance of the company was not excused and impugned order was rightfully upheld.

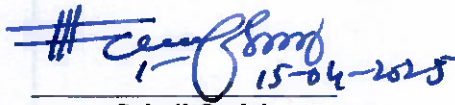
14. Further, the contention put forward by the Respondents that the application for renewal of its license has been put on hold by the Commission does not correspond to the facts on record, since as per the record of the Commission, the Company's application for renewal of its license is currently pending for consideration due to non-compliance of the Company itself with the prescribed Minimum Equity Requirements. Even otherwise, pendency of a renewal application does not impact the licensed status of the Company and its statutory obligation to comply with the mandatory provisions of the NBFC Rules, particularly considering sub-rule (9) of rule 5 of the NBFC Rules, pursuant to which the existing license of the Company is deemed valid for the purposes of these rules till such time its license is renewed. Moreover, the arguments of the Respondents relating to the operational challenges faced by the Company and the efforts of the management to overcome the same are not plausible and relevant in the subject case, as any such 'efforts' cannot be taken as a sole ground to absolve the Respondents from upholding their statutory obligations.

15. In view of the above-stated facts and circumstances, I am of the considered view that by failing to file annual audited financial statements for the year ended June 30, 2024 with the Registrar within the prescribed timeline, the Respondents have contravened the requirements of rule 7(1)(da) of the NBFC Rules.

16. I, therefore, in exercise of the powers conferred upon me under sub-section (1) of Section 282J of the Ordinance vide S.R.O. 1545(I)/2019 dated December 06, 2019, hereby impose an aggregate penalty of **Rs.50,000/- (Rupees Fifty Thousand Only)** on the Respondents on account of the aforesaid established default in the following manner:

Sr. #	Names	Penalty (Rs.)
1.	Mr. Aijaz Hussain, Director	10,000
2.	Mr. Malik Sher Afzal, Director	10,000
3.	Mr. Muhammad Fahad Naeem, Director	10,000
4.	Soon Valley Development Program	20,000
Total		50,000

17. The Respondents are hereby directed to deposit the afore-mentioned fine in the designated Bank Account maintained in the name of the Securities and Exchange Commission of Pakistan with MCB Bank Limited or United Bank Limited within thirty (30) days of the date of this Order and furnish receipted bank challan to the Commission forthwith. In case of failure to deposit the penalty, the proceedings under Section the proceedings under Section 485 of the Act will be initiated for recovery of the penalty/fines as arrears of land revenue pursuant to provision of Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997 along with initiation of proceedings under Section 282J (5) of the Ordinance.


Sohail Qadri
Director/ HOD
Adjudication Department-I

Announced:
Dated: April 15, 2025
Islamabad