



Corporate Supervision Department
Company Law Division

Before Amina Aziz – Director (CSD)

In the matter of

Metropolitan Steel Corporation Limited

Number and date of SCN: (i) CSD/ARN/62/2015-1660-66, dated November 25, 2015; and
(ii) CSD/ARN/62/2015-2864-70, dated January 26, 2016
Hearings held on: January 5, 2016 and March 29, 2016
Present: Mr. Mehmood Ali Mehkari, Chairman
Mr. Muhammad Umer Mehkari and Mr. Khalid Mustafa

ORDER

**UNDER SUB-SECTION (3) OF SECTION 245 READ WITH SECTION 476 OF THE
COMPANIES ORDINANCE, 1984**

This order shall dispose of the proceedings initiated against the following directors including the chief executive officer (together referred to as “respondents”) of **Metropolitan Steel Corporation Limited** (the “Company”):

- | | | | |
|---|---------------------------|---|-------------------------------|
| 1 | Mr. Mehmood Ali Mehkari | 5 | Mr. Muhammad Omer Mehkari |
| 2 | Mr. Mushtaq Ahmed | 6 | Mrs. Uzma Mehmood Ali Mehkari |
| 3 | Mr. Muhammad Shakir | 7 | Mrs. Safia Shakir |
| 4 | Mr. Syed Habibullah Qadri | | |

The proceedings against the respondents were initiated through show cause notices (the “SCNs”) dated November 25, 2015 and January 26, 2016 under the provisions of sub-section (3) of section 245 read with section 476 of the Companies Ordinance, 1984 (the “Ordinance”).

2. The brief facts of the case are that as per record, the Company failed to file the interim financial statements (“Quarterly Accounts”) for the following periods with the Commission, as per requirements of section 245 of the Ordinance:

Quarter Ended	Due On	Remarks
30-Sep-14	31-Oct-14	Not filed
31-Dec-14	28-Feb-15	Not filed
31-Mar-15	30-Apr-15	Not filed
30-Sep-15	31-Oct-15	Not Filed



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Consequently, the SCNs were issued to the respondents whereof they were called upon to show cause in writing as to why penal action may not be taken against them under sub-section (3) of section 245 of the Ordinance for delay in filing the aforesaid Quarterly Accounts.

3. In response to the first SCN, the respondents submitted reply vide letters dated December 1, 2015 and January 22, 2016 whereof they stated as under:

- The Company could not hold the AGM for the year ended June 30, 2013 in time as a result of which the finalization of the Accounts for the year ended June 30, 2014 and the AGM for the year 2014 were considerably delayed;
- The Accounts for the year ended June 30, 2014 were finalized after rescheduling of loan with Summit Bank Limited and were under process of audit that was expected to be completed by the end of February 2016.
- The Company would endeavor to hold the AGM for the year 2014 by March 31, 2016 and Quarterly Accounts will be filed shortly after the approval of annual accounts.

In respect of second SCN, through letter dated March 9, 2016, the respondents stated as under:

- Reasons for delay in holding the AGM for the year 2014 have been communicated in response to the previous SCN. The AGM for 2014 will be held by April 31, 2016.
- As earlier communicated in the meeting and through letter dated January 22 2016, we will submit application to seek Commission's directions to hold AGM for 2015 on or before June 30, 2016.
- Because of the non-availability of our approved and previous auditors Grant Thornton, (their letter dated February 25, 2016 attached), we accepted their resignation and have hired new auditor A letter dated February 18, 2016 from Haroon Zakria and Company was provided whereof they have given consent to act as auditor of the Company. We will be updating our Form 29 in the next few days. The audit work has been completed and completion of other formalities including signing of auditors report etc. is awaited, which will be completed within the given deadline.



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- Our newly appointed Accounts staff is working to finalize the overdue Quarterly Accounts for the first, second and third quarters
- The delays were being caused due to old systems and early retirement of unionized staff. Our new team is working hard and has upgraded systems and software, which will increase the efficiency and in the future there will be no delays. They need time to finalize the submit the Quarterly Accounts.

4. Hearings in the matter of aforesaid SCNs were held on January 5, 2016 and March 29, 2016, respectively. Mr. Mehmood Ali Mehkri, the Chairman of the Board of Directors ("BOD") of the Company appeared in the first hearing and Mr. Muhammad Umer Mehkari, the representative of the respondents along with Mr. Khalid Mustahq appeared in the second hearing before the undersigned. They mainly reiterated the earlier written submissions and further stated, as under:

- The factory has been closed for last two years.
- The Company has paid off its liabilities of employees' provident fund and gratuity and was in process of settlement with banks.
- The management is working on restructuring and the mill will be operational afterwards.
- The Company plans to convene the overdue AGM for the year 2014 by end of April 2016 or first week of May 2016. The Company plans to hold AGM for the year 2016 will by the end of June, 2016. All overdue Quarterly Accounts will be submitted accordingly.
- The Company shall apply and seek Commission's directions under section 170 of the Ordinance to hold the overdue AGMs.

Based on the above submissions, the representatives requested for a lenient view in the matter.

5. Before proceeding further, it is important to mention that in terms of Sub-section (1) of section 245 of the Ordinance all listed companies are, inter alia, required to file their quarterly accounts with the Commission within stipulated time.



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Sub-section (3) of section 245 of the Ordinance provides as under:

"If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief accountant of the company who has knowingly by his act or omission been the cause of such default shall be liable to a fine of not exceeding one hundred thousand rupees and to a further fine of one thousand rupees for every day during which the default continues."

6. I have analyzed the facts of the case, relevant provisions of the Ordinance, and submissions made by the respondents. The aforesaid provisions of the law are clear and explicit. A listed company is required to file its quarterly accounts within the stipulated time that is one month from the close of first and third quarters and two months from the close of second quarter. Initially listed companies were only required to circulate annual accounts and the shareholders did not have information about the affairs of companies during the year. The requirement to circulate interim accounts was introduced so that the shareholders could have timely access to information about the affairs of companies. Keeping in view the fact that timing of interim financial statements is of essence the disclosure and audit requirements of these accounts have been kept to a bare minimum. Interim financial statements prepared properly and in a timely manner not only provide to its users a reliable source of information regarding a company's financial position and performance but these also show the results of management's stewardship of resources entrusted to it. In order to ensure transparency, all the companies must meticulously follow the legal requirement for preparing and circulation of interim accounts. In addition to their responsibility of overseeing and managing affairs of the Company, directors also have fiduciary duties towards the Company and its shareholders. They are, therefore, liable to a higher level of accountability which requires them to be vigilant and perform their duties with care and prudence. It is directors' responsibility to oversee the functioning of the company, to keep it appropriately staffed and organized to ensure due compliance of law. In terms of the Ordinance the directors are primarily responsible for approval of accounts. I have noted that the Company has not been filing the Quarterly Accounts in a timely manner as per legal requirements over a period of time mainly because it has not been able to hold its annual general meetings ("AGMs") within stipulated time to approve the annual accounts. However, I take into account that fact that the respondents have responded to the SCNs and also appeared in hearings to clarify their positions. Further they have given commitment to hold the overdue AGMs for the years 2014 and



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2015 latest by the first week of May, 2016 and June 30, 2016, respectively and file the overdue Quarterly Accounts shortly after approval of annual accounts for respective years.

6. In view of the foregoing, I have concluded that the provisions of the law have been violated and the respondents are liable to fine in terms of section 245 of the Ordinance. However, I consider the respondents' willingness to file the overdue Quarterly Accounts after holding the AGMs and the assurance to comply with legal requirements in future. Therefore, instead of imposing maximum fines on all the respondent, I take a lenient view and in exercise of the powers conferred by sub-section (3) of section 245 of the Ordinance, I hereby impose a fine of Rs50,000/- (Rupees fifty thousand only) on the chief executive of the Company.

The aforesaid fine must be deposited in the designated bank account maintained with MCB Bank Limited in the name of the "Securities and Exchange Commission of Pakistan" within thirty days from the receipt of this order and receipted bank vouchers must be furnished to the Commission. In case of failure of the respondent to deposit of the fine, proceedings for recovery of the fines as arrears of land revenue will be initiated. It may also be noted that the aforesaid fine is imposed on the respondent in personal capacity; therefore, he is required to pay the said amounts from personal resources.

Amna Aziz
Director (CSD)

Announced:
March 31, 2016
Islamabad