



Corporate Supervision Department  
Company Law Division

Before Abid Hussain– Executive Director

*In the matter of*

**Jauharabad Sugar Mills Limited**

Number and date of notice: CSD/ARN/153/2015-512 dated September 2, 2015

Date of hearings: March 15, 2016

Present: M. Javed Panni – Authorized Representative

**ORDER**

**UNDER SECTION 492 READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984**

This order shall dispose of the proceeding initiated against directors and chief executive (“respondent”) of Jauharabad Sugar Mills Limited (“Company”) through show cause notice (the “SCN”) dated September 2, 2015 under Section 492 read with Section 476 of the Companies Ordinance 1984 (the “Ordinance”).

2. The facts leading to this case, briefly stated, are that, during the financial year 2014, the company has written back an amount of Rs. 175 million of the bad debts previously written off and classified it as other income in the profit and loss accounts for the year. On the other hand the Cost Auditor’s Report for the year ended September 30, 2014 (“Report”), shows the amount of Rs. 175 million as a reduction from the Total Cost to Make and Sell in the Annexure I to the Report. As result, the cost to make and sell has been reduced in the year to the tune of Rs. 5,100 per M.Ton. Hence the profit/loss per unit earned on sugar is prima facie, wrongly stated in note 22 to the Report by the respondents.

3. The aforesaid income is not directly attributed to cost of sugar to make and sell. Reporting of other income of Rs. 175 million in Annexure 1 (Cost of sugar to make and sell) of Report as required by Sugar Industry (Cost Accounting Records) Order 2001 was misleading and considered to be as misstatement. In view of above the Chief Executive and Directors of the Company were issued SCN on September 2, 2015 to explain as to why penalty under Section 492 of the Ordinance may not be imposed for prima facie, misrepresentation in Annexure 1 (Cost of sugar to make and sell) of the Report.



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

*Continuation Sheet - 1 -*

4. The reply to SCN was submitted by the respondent vide letter dated September 10, 2015 and submitted that in the Report, the Annexure 1 has been duly presented in full reconciliation with financial statements to avoid any misleading and false comparison of information.

5. In order to provide opportunity of personal hearing; the case was fixed before the undersigned on March 15, 2016. Mr. M. Javed Panni –Authorized Representative appeared before the undersigned and submitted as follows

- It is accepted that other income of Rs. 175 million had not directly contributed to total cost of sugar to make and sell. This was inadvertently included in the cost of production and sales.
- The mistake is accepted and regretted by the respondents.

6. In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under Section 492 of the Ordinance have been delegated to Executive Director (Corporate Supervision Department).

7. I have analyzed the facts of the case, relevant provisions of the Ordinance, Rules and Sugar Industry Order, arguments put forth by the respondent and the authorized representative and I am of the firm view that other income is not directly attributed to cost of sugar to make and sell. Reporting of other income of Rs. 175 million in Annexure 1 (Cost of sugar to make and sell) of Report was misleading and considered to be as misstatement. The respondent have misrepresented the facts in Annexure 1 (Cost of sugar to make and sell) of Report in contravention to the provisions of Section 492 of the Ordinance. The Commission has mandated submission of cost audit report as an additional means to check the financial results disclosed by the companies in annual accounts and to measure the efficiency of the Board of Director and management. It is imperative that the information presented therein is classified in its true context so as to depict the fair picture Company's operation and its efficiencies.

8. Keeping in view that fact that the default is accepted by the respondents, I take a lenient view in the matter and instead of imposing maximum fines on all the respondents, I hereby, impose a fine of Rs. 10,000/- (Rupees ten thousand only) on chief executive of the Company in



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

*Continuation Sheet - 2 -*

terms of the provision of Section 492 of the Ordinance, other directors are strictly warned to be careful in future and ensure meticulous compliance with provisions of the Ordinance.

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 furnish receipted bank vouchers to the Commission. In case of non-deposit of fine, proceedings for recovery of the fines as arrears of land revenue will be initiated.

**Abid Hussain**  
Executive Director

**Announced:**  
April 20, 2016  
Islamabad