

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

In the matter of Show Cause Notice issued to Hi-Tech Lubricants Limited

Dates of Hearing

June 22, 2022

Order-Redacted Version

Order dated June 30, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Hi-Tech Lubricants Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated June 06, 2022.
2. Name of Respondent	Hi-Tech Lubricants Limited (the Company and/or the Respondent)
3. Nature of Offence	Alleged contraventions of <u>Regulation 16(i) of the Public offering Regulations, 2017 (the Regulations) & Section 159(5) of the Securities Act, 2015 (the Act).</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have considered both the written and verbal submissions made by the Respondent and its Representatives, material available on the record and the relevant legal provisions and observed that:</p> <p>a. the Respondent during the hearing proceedings, contended that the Regulations were promulgated in May, 2017 whereas, the Company was listed on PSX in March, 2016 and hence, post IPO, the Regulations are not applicable upon the Company. The argument of the Respondent in this regard is not tenable since the Regulations promulgated in May, 2017, came into force at once. The reporting requirements of the Regulations are applicable upon the Company till the completion of its projects and complete utilization of IPO Funds. Further, the Commission vide SRO 1619(I)/2019 dated December 26, 2019 changed the requirements of disclosures period from three years to fulfilment of commitments mentioned in prospectus. Regulation 16 of the Regulations requires the issuer to report detailed break-up of the utilization of the proceeds of the issue in its post issue quarterly/ half yearly and annual accounts till the fulfillment of the commitments mentioned in the prospectus In this regard it was observed that he Respondent</p>

	<p>only disclosed a brief status of unutilized IPO proceeds in its quarterly/ half-yearly accounts and did not provide detailed break-up of utilization of IPO proceeds which is contravention of Regulation 16 of the Regulations.</p> <p>b. the Respondent submitted that in 9th Annual General Meeting (AGM) of the members of the Company held on September 29, 2017, it was unanimously resolved that "<u>Diversion and utilization of un-utilized IPO Funds from HTL Express Centres and wholly owned subsidiary company Hi-Tech Blending (Pvt.) Limited to OMC Project of the Company and is hereby approved keeping in view overall growth of the Company and ultimate benefit to all the shareholders and stakeholders of the Company</u>". From the given facts, the Representatives argued that subsequent to the diversion of unutilized IPO funds from other project to its OMC Projects, the nexus between the IPO prospectus of the Company and unutilized IPO funds got broken. The contention of the Respondent in this regard is not justifiable since, the funds from the IPO proceeds are still outstanding and the shareholders and other market stakeholders are privy to such information regarding the utilization o the IPO Proceeds and therefore, a detailed break-up of utilization of IPO Proceeds should be provided in the quarterly/ half-yearly accounts of the Company as they are provided in the annual accounts in compliance with the reporting requirements of the Regulations.</p> <p>Therefore, in terms of the powers conferred under Section 159 (5)(a)(ii) of the Act. a penalty of <u>Rs. 70,000/- (Rupees Seventy Thousand Only)</u> is hereby imposed on the Company. Further, the Respondent is advised to ensure full and timely compliance with all the applicable regulatory requirements including the Regulations, in letter and spirit, in future.</p>
5. Penalty Imposed	Rs. 70,000/-
6. Current Status of Order	Penalty deposited and No Appeal has been filed by the respondents.