



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department-I

### Adjudication Division

Say No to Corruption

*Before*

**Mr. Shahzad Afzal Khan, Director/Head of Department (Adjudication-I)**

*In the matter of*

**Al-Shaheer Corporation Limited**

|  |   |
|--|---|
| Number and date of Show Cause Notice (SCN) | 2(344)SMD/Adj-1/2022-102<br>Dated August 10, 2022   |
| Date(s) of Hearing:                        | December 05, 2022<br>May 19, 2023   |
| Present at the Hearing(s):                 | i. Mr. Kamran Ahmed Khalili<br>(Chief Executive Officer)<br>ii. Mr. Wajihuddin Farooq<br>(Company Secretary)<br>iii. Mr. Aitzaz Mansoor<br>(Consultant) |

### **ORDER**

#### **UNDER SECTION 159(5) OF THE SECURITIES ACT, 2015**

This Order shall dispose of the proceedings initiated against Al-Shaheer Corporation Limited (**the Respondent and/ or the Company**) and Mr. Kamran Ahmed Khalili (**Chief Executive Officer**) of the Company through Show Cause Notice No. 2(344)SMD/Adj-1/2022-102 dated August 10, 2022 (**the SCN**).

2. The Company was listed at PSX on August 24, 2015 after raising Rs. 2,375 million from general public at strike price of Rs. 95 per share through Prospectus dated June 30, 2015. The Company disclosed in its prospectus plans to :(i) Setup a Chicken Slaughter House and Meat Processing Facility at Lahore; (ii) Extend its Retail Network; and (iii) Finance its working capital requirement through funds raised from the General Public.

3. An investigation was carried out in the matter of Initial Public Offering (**IPO**) made by the Company pursuant of Order dated March 19, 2020 and supplementary Order dated November 04, 2021 under Section 29 of the SECP Act, 1997 (**the SECP Act**) and the laws related thereto.

4. The Company in its Thirteenth Quarterly Progress Report filed on December 10, 2018 has disclosed that the implementation of the project is delayed due to issues pertaining to labor and provisional approvals. The same factor was reported in Fourteenth and Fifteenth report submitted by the Company to the Commission on May 23, 2019 and August 23, 2019 respectively. In fifteenth report the Chief Executive Officer (**CEO**) of the Company informed that the entire project is ready and can be operationalized within 4 months after the approval of the board. Whereas, the CEO of the Company in its letter dated March 21, 2019 has admitted that the launch of project needs an additional Rs. 1 billion.

5. In the said Progress Report the issue of only labor and provisional approvals have been discussed by the Company whereas, in his letter dated March 21, 2019 the CEO has given entirely different reason for completion of the work i.e. short of funds.





# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department-I Adjudication Division

6. In view of the afore-mentioned contradictory statements regarding the completion of project, the Company through its Company Secretary and the CEO have contravened the provisions of Section 159(5) of the Securities Act, 2015 (the Act).

7. The aforementioned contraventions of the Act attract penal provisions contained in Section 159(5) of the Act, which are reproduced below:

**“159. Offences and penalties. -**

(5) Notwithstanding sub-sections (1), (2), (3) and (4), any person who—

....

(b) furnishes or produces any return, document or statement for the purposes of this Act or any requirement imposed under the provisions of this Act or of any rules or regulations made under this Act, the contents of which, to his acknowledge, are untrue, incorrect or misleading; ... shall be liable to pay by way of penalty—

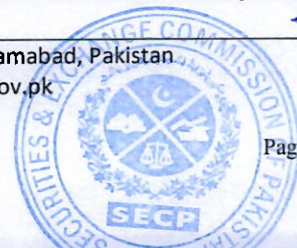
(i) in the case of an individual, such sum which may extend to one hundred million rupees; and  
(ii) in the case of a company, such sum which may extend to two hundred million rupees...”

8. In view of the aforesaid contraventions of the Act and the Regulations, SCN was served on the Respondent. The Respondent through its Consultant (Mohsin Tayabaly & Co.) submitted its written response to the SCN vide letter dated September 08, 2022 relevant extract of which is reproduced below:

“....3. Without prejudice to the foregoing, it is submitted that SECP is conducting a fishing and roving expedition against our Client. This is evident from the fact that our Client is subjected to multiple vexatious and parallel proceedings by SECP. For example, our Client has already paid a fine of PKR 100,000 pursuant to order 25.04.2022 passed in the matter under Sections 199 and 479 of the Companies Act, 2017 (“2017 Act”) ... Similarly, our Client has recently appeared before SECP along with its legal counsel in the matter of Show Cause Notice dated 30.06.2022 under the Companies (Further Issue of Share) Regulations, 2020 read with Section 512(2) of the Companies Act, 2017... SECP is required to exercise powers diligently and reasonably and in accordance with the principles set out by superior courts particularly ensuring that the fundamental rights of our Client enshrined in the Constitution of Islamic Republic of Pakistan, 1973 are protected. Our Client's business operations are being significantly affected due to being involved in multiple proceedings before the SECP. It is as such, requested that our Client be condoned and excused from such multiple and parallel proceedings since any alleged violation of the 2015 Act, 2017 Act and other relevant laws by our Client (which is denied) was unintentional.

4. Insofar as the SCN is concerned, it is submitted that the instant issue was first raised by SECP pursuant to the investigation order dated 19.03.2020. Thereafter, a supplementary investigation order was issued on 04.11.2021 after a lapse of more than one year. Thereafter, once again and after nine months, the SCN has been issued. It is submitted that our Client had submitted and provided all information to SECP regarding the issues raised by SECP including the one raised in the SCN. Our Client, as such, was under the impression that all issues had already been satisfied since the payment of penalty pursuant to order dated 25.04.2022. SECP is now raising several issues separately and in isolation. Even otherwise, any issues raised by SECP and responded satisfactorily by our Client ought to have been decided within a reasonable time. Further, our Client is not even being provided any purported detailed investigation report(s) which set out the basis for alleged violations by our Client. This is in violation of principles of natural justice and our Client's fundamental right to a fair trial.

5. Without prejudice to the foregoing, it is submitted that the subject matter of these investigation orders and SCN is that our Client has allegedly submitted contradictory statements





# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department-I Adjudication Division

regarding its initial public offering and development of its project. In particular, it is the case of SECP that the Chief Executive Officer of our Client on the one hand claimed in the reports that the project was delayed due to labor, provincial approval, etc., issues but in its letter dated 21.03.2019, the delay in the launch of the project was due to requirement of generating PKR 1 billion for the project. The manner in which this information is stated in the SCN is completely misleading and incorrect. In this regard, it is submitted that:

(i) Our Client has provided all material information to SECP from time to time. The Quarterly Progress Reports submitted before the SECP show such material information including the up-to-date/project implementation/construction statuses and reasons for delay in completion of the project. The following may be noted:

(a) In the Thirteenth Quarterly Progress Report submitted in December, 2018 ..., our Client stated that the project was expected to achieve commercial production on or before May, 2019. As stated above, all material information was disclosed in this report.

(b) In both the Fourteenth Quarterly Progress Report submitted in May, 2019... and Fifteenth Quarterly Progress Report submitted in August, 2019.., our Client stated that the project was expected to complete commercial production in four months subject to the approval of the Board of Directors of our Client. The reason why the Board's approval was required is because of the fact that the Board was deliberating on the best strategy to maximize shareholders value. As stated above, all material information was disclosed in these reports. In particular, all major milestones were achieved.

(ii) While our Client was submitting these Quarterly Progress Reports, our Client simultaneously informed SECP on 21.03.2019... that it required additional PKR 1 billion for the launch of the project. The reasons for requiring such additional money included the fact that our Client had already spent more money than that was generated through the initial public offering and that business had been affected due to reasons beyond the control of our Client.

6. The foregoing shows that our Client has time and again kept SECP abreast of the progress of the project developed by our Client. No information was concealed nor any information submitted before the SECP was untrue, incorrect or misleading. The fact that our Client has informed SECP, from time to time, of each and every achievement and potential hurdles speaks volume for its intention to ensure transparency in the development of the project. Had our Client wished to submit any untrue, incorrect or misleading to the SECP (which is denied), it would not have informed of the requirement to generate additional funds through its letter dated 21.03.2019...."

9. In order to provide an opportunity of personal representation to the Respondent, hearings were fixed on December 05, 2022 which was attended by Mr. Kamran Ahmed Khalili (Chief Executive Officer), Mr. Wajihuddin Farooq (Company Secretary) and Mr. Aitzaz Mansoor (Consultant) as Authorized Representatives, on behalf of the Respondent. Subsequent to the hearing proceedings, the Respondent, through its Consultant, submitted additional response vide letter dated January 30, 2023, to reiterate its arguments as provided in previous reply dated September 08, 2022.

10. In light of the aforementioned responses furnished by the Respondent and submissions of the Representatives during the hearings held on December 05, 2022 and May 19, 2023, the Key points are provided as under:

- i. That the findings of the Investigation carried out in pursuance of Order dated March 19, 2020 and supplementary Order dated November 04, 2021 under Section 29 of the SECP Act and the laws related thereto, have not been shared with the Respondent.





# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department-I Adjudication Division

- ii. That the Respondent has already been penalized for Rs. 100,000/- in the matter of previous order dated April 25, 2020 based on the same investigation order dated March 19, 2020 therefore, the Respondent is being penalized twice for the same investigation in violation of Article 13 of the Constitution of Pakistan, 1973.
  - iii. The Company had provided all material information to SECP from time to time. There was no intention to conceal any information regarding the completion of the project. In August, 2019, Fifteenth Quarterly Progress report, the Company informed that the project was expected to be completed within 4 months subject to the approval of Board of Directors. There was additional requirement of PKR 1 billion for working capital constraints and the same was also informed to SECP. No information was concealed nor any information submitted before the SECP was untrue, incorrect or misleading. The project was completed in September, 2021.
11. I have gone through the relevant provisions of the law and submissions made by the Respondent and its Representatives in their written responses as well as during the subsequent hearing. I have also perused Section 159(5)(a) of the Act, which stipulates penal provisions for contravention of the Regulations and noted that:
- i. At the outset and in response to the Respondent's query regarding the findings of the Investigation carried out in pursuance of Order dated March 19, 2020 and supplementary Order dated November 04, 2021 under Section 29 of the SECP Act, the Adjudication Department-1 vide its letter dated January 23, 2023 informed the Respondent to obtain copy of the investigation report from the relevant department of the Commission. Further, the contention of the Respondent that it is being penalized twice for the same investigation in violation of Article 13 of the Constitution of Pakistan, 1973 is not tenable. In this regard, the Order dated April 25, 2020 was passed under Section 199 of the Companies Act, 2017 read with Section 479 thereof (corresponding Section 208 and Section 476 of the Companies Ordinance, 1984) on a different subject matter i.e. *investment in associated companies*. The contention of the Respondent in this regard is not relevant. The instant SCN has been issued under Section 159 of the Securities Act for aforesaid alleged violations of the Act and the Regulations.
  - ii. With regard to the information provided regarding the project, the Company in its Thirteenth Quarterly report filed on December 10, 2018 has disclosed that the implementation of project is delayed due to issues pertaining to labor and provisional approvals. The same factors were also reported in its Fourteen and Fifteenth Quarterly Progress reports submitted by the Company to the Commission on May 23, 2019 and August 23, 2019 respectively. Moreover, in Fifteenth Quarterly progress report the CEO of the Company informed that the entire project is ready and will be operational within 4 months. However, in a previous letter by CEO of the Company dated March 21, 2019 it was informed that the launch of project needs an additional Rs. 1 billion. The Respondent and its CEO during the hearing also admitted that the launch of project required an additional Rs. 1 billion due to working capital restraints however, the same was not required for completion of the project i.e. the construction or building costs but rather for marketing an inventory building. The project was already completed but additional cost was required to meet the working capital requirements. Keeping in view the comments provided by the Respondent and the CEO during the hearing proceedings and its submissions, it is noted that these facts were not disclosed in its progress report which was provided subsequent to the letter furnished by the CEO to the Commission. If there was any additional requirement of the funds, the same should have been disclosed in its Quarterly progress report for information of all the relevant stakeholders.





# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department-I Adjudication Division

iii. Providing a true and accurate picture of the project in progress reports in a timely manner after an IPO is crucial for ensuring transparency and maintaining the trust of shareholders and investors. The report should detail the project's operational progress, milestones achieved, and any significant developments or challenges encountered. Misstatements erode investor trust and confidence in the company. In the instant matter, there was a significant delay in completion of the project. The expected date for completion of the expansion project (i.e. chicken slaughter house and meat processing facility), as disclosed in the prospectus, having an estimated cost of Rs. 780.5 million was June 30, 2017. The estimated cost of the expansion project as disclosed in the prospectus was Rs. 780.5 million, However, the Company also raised additional amount of Rs. 1,300 million from IPO. The Company expanded the project and additionally needed Rs. 1 billion for marketing and working capital to run the projects which should have been properly reflected in the progress reports submitted by the Company. Such extra ordinary circumstances demand true and accurate depiction of the project completion and any additional costs that may be required. However, The Company has failed to provide a true and accurate picture of the position of the project in its Fourteenth and Fifteenth Quarterly progress report in contravention of Section 159(5) of the Act.

12. In view of the above-stated facts and circumstances and submissions made by the Respondent and its Representatives, I, in exercise of the powers conferred upon me under Section 159(5) of the Act, impose a penalty of **Rs. 250,000 (Rupees Two Hundred and Fifty Thousand Only)** on the Respondent Company. The Company is advised to remain vigilant and ensure meticulous compliance with all applicable laws including the Regulations & the Act in true letter and spirit in the future.

13. The Respondent Company is directed to deposit the aforesaid penalty in the account of the Commission being maintained in the designated branches of MCB Bank Limited within 30 days of the date of this Order and furnish Original Deposit Challan to this office.

14. This order is being issued without prejudice to any other action(s) that may be initiated/taken against the Respondent Company, its CEO and/or its directors/officers responsible for the violations of the aforesaid provisions of the law, accordingly.

(Shahzad Afzal Khan)  
Director\ Head of Department  
(Adjudication Department-I)



**Announced:**  
May 25, 2023  
Islamabad