



Securities and Exchange Commission of Pakistan

Adjudication Division
Adjudication Department-I

Before

Amir M. Khan Afridi - Director/Head of Department

In the matter of Show Cause Notice issued to Unity Foods Limited

Dates of Hearings

May 10, 2022

Order-Redacted Version

Order dated June 9, 2022 was passed by Head of Department (Adjudication-I) in the matter of Unity Foods Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated April 11, 2022
2. Name of Company	Unity Foods Limited
3. Name of Individual*	The proceedings were initiated against the Company
4. Nature of Offence	<p>Proceedings were initiated in terms of the Companies (Further Issue of Shares) Regulation, 2020 (the Regulations) read with Section 512 of the Companies Act 2017 (the Act).</p> <p>Brief facts of the case are that the Company announced its third right issue on June 18, 2020, amounting to Rs.4.500 billion (the 3rd Right Issue) for the purpose of meeting working capital requirements. The record available with the Securities and Exchange Commission of Pakistan (the Commission) transpires that the Company did not submit quarterly progress report on the utilization of the proceeds of the aforesaid 3rd Right Issue, <i>prima facie</i>, contrary to the requirements of regulation 10(2) of the Regulations.</p> <p>Keeping in view the above, proceedings through the SCN were initiated in terms of regulations 10(2) and 11 of the Regulations read with Section 512(2) of the Act and the Respondent was requested to show cause, in writing, within fourteen (14) days of the date thereof as to why penalties may not be imposed for non-compliance of the aforesaid requirement of the Regulations.</p>
5. Action Taken	Key findings were reported in the following manner:



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	<p>I have gone through the facts of the case, the submissions made by the Respondent both in writing and verbal in light of the relevant provisions of the Regulations and of the Act and state that reporting of proceeds utilization of a right issue is a mandatory requirement under regulation 10(2) of the Regulations. There is no provision exempting reporting utilization of the proceeds of a right issue floated for meeting working capital requirements. Report on utilization of the proceeds of the said 3rd Right Issue must have to be submitted to the Commission irrespective of the fact that the purpose of the issue was to meet working capital requirements. By not reporting utilization of the proceeds, the Respondent has contravened regulation 10(2) of the Regulations which attract the applicability of regulation 11 of the Regulations read with Section 512(2) of the Act. Further, contentions of the Respondent and its Representative with respect to the delegations of powers of the Commission under the aforesaid legal provisions to the undersigned; and promulgation of the Regulations being not tenable cannot be agreed to.</p> <p>Keeping in view the aforesaid contravention, I in terms of the power conferred under regulation 11 of the Regulations read with Section 512(2) of the Act hereby impose a penalty of Rs.200,000/- (Rupees two hundred thousand only) on the Respondent Company.</p> <p>Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for imposition of penalties in respect of any default, omission or violation of the Act.</p>
6. Penalty Imposed	Rs. 200,000/- (Rupees Two Hundred Thousand only)
7. Current Status of Order	Appeal was filed.