

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

In the matter of Show Cause Notice issued to Pakistan Petroleum Limited

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Dates of Hearing

November 16, 2021

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**Order-Redacted Version**

Order dated May 27, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Pakistan Petroleum Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated April 16, 2021.
2. Name of Respondent	Pakistan Petroleum Limited (the Company, PPL and/ or the Respondent)
3. Nature of Offence	Alleged contraventions of <u>Section 96 and 97 of the Securities Act, 2015 read with Section 159 thereof.</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 in light of the applicable legal provisions as mentioned above and observed that:</p> <p>(i) with regard to the changes in trade price and volume of the scrip of the Company during the closed period i.e. from September 03 - 11, 2020 as provided in the SCN, the Company submitted that direct causation linking the interview with the change in share price cannot reasonably be established since the Company's share price depends on many factors including stock exchange index levels, crude oil prices and prevailing exchange rate. The Company also submitted that its share price registered an increase of more than 3% on twenty-one (21) different occasions due to a variety of different factors. The Company further stated that market price of other Exploration and Production (E&amp;P) companies' scrips and the KSE index were also increased on September 10, 2020.</p> <p>Further, the Respondent also submitted that although the share volume of PPL was 7.59 million un September 10, 2020, however,</p>

	<p>during the year 2020 the daily volumes of the Company's traded shares exceeded 7.59 million on 27 other occasions according to the data available on investing.com.</p> <p>Furthermore, the Respondent submitted that the 3% increase in its share price on September 10, 2020 can also be attributed to the rising investor expectations of a dividend pay out in line with the 20% cash dividend payout and 20% bonus shares announced during the previous financial year.</p> <p>In light of the aforementioned submissions by the Respondent, it is quiet probable that increase in market price of the share of the Company might not be due to publication of the CEO's interview on September 09, 2020 only as there are multiple other factors which may affect the share price of the Company.</p> <p>(ii) With regard to the disclosure of price-sensitive information, the Company submitted that a hydrocarbon discovery was made in the well Morgandh X-1 in the Margand Block of Kalat, Baluchistan (the Discovery) and the Company immediately disclosed the details of the Discovery to PSX through letter dated December 23, 2019, a copy of which was also provided in response to the SCN. The Company further submitted that the CEOs statements regarding the initial estimate of gas volumes cannot be construed as material information since it is a preliminary estimate solely circulated in a non-technical generalist publication and that is supplemental to previously disclosed information. Furthermore, the Company submitted that investor would not make investment decision based on such inconclusive and preliminary information.</p> <p>I hereby, warn the Company to be careful in future regarding its disclosures of price-sensitive information. The Company should incorporate all such information regarding its business which affect investor decision making or the opinion of public at large.</p>
5. Penalty Imposed	Warning
6. Current Status of Order	No Appeal has been filed by the respondent.