



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before

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

In the matter of

Acquirers of Pakistan General Insurance Company Limited

Number and date of Show Cause Notice	2(462) SMD/Adj-1/2024 Dated: July 30, 2024
Date(s) of Hearings:	August 12, 2024
Present at the Hearings:	Mr. Rashid Ibrahim, (Authorized Representative)

ORDER

UNDER SECTION 111(a) READ WITH SECTION 125 AND 126(1) AND 126(3) OF THE SECURITIES ACT, 2015

This Order shall dispose of the proceedings initiated against Mr. Ali Shahzad, Mr. Kamran Sharif, Mr. Muhammad Mubasil Khan Niazi, Mrs. Mahnoor Khawaja, Mr. Muhammad Waleed, Mr. Tauseef Ul Rehman, Mr. Ameer Hamza Khan, Mr. Muhammad Shahzad Habib and Mrs. Bushra Shahzad (**the Acquirers**) through Show Cause Notice No.2(462)SMD/Adj-1/2024 dated July 30, 2024 (**the SCN**).

2. The Pakistan General Insurance Company Limited ("**the Target Company**") was incorporated in Pakistan as a public limited company on July 26, 1947 under the Companies Act, 1913 (now the Companies Act, 2017) and the shares of the Company are quoted on the Pakistan Stock Exchange Limited. The registered office and principle place of the Company is located at PGI House, 5A Bank Square, The Mall, Lahore. The Company is engaged in providing general insurance services in spheres of Fire and property damage Marine, aviation and transport, Motor and Miscellaneous.

3. It was observed that as per list of shareholders of the Target Company as of December 31, 2022 and September 30, 2023, shareholding of the following individuals increased from 0% to 60.74%, the summarized analysis of change/increase in shareholding of such individuals as of December 31, 2022 and September 30, 2023 is tabulated as under:

S. No	Name	Father's name	CNIC	Shareholding as of December 31, 2022	Percentage as of December 31, 2022	Shareholding as of September 30, 2023	Percentage as of September 30, 2023
1	Mr. Ali Shahzad	Muhammad Shahzad Habib	36302-9504326-3	-	-	4,692,248	10.11%
2	Mr. Kamran Sharif	S/O Muhammad Sharif	35201-2590763-9	-	-	4,464,302	9.62%



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3	Mr. Muhammad Mubasil Khan Niazi	Muhammad Akram Khan Niazi	36302-0603285-9	-	-	4,441,948	9.57%
4	Ms. Mahnoor Khawaja	D/O Kh. Mahmood Ur Rehman	36302-9861277-4	-	-	4,418,191	9.52%
5	Mr. Muhammad Waleed	S/O Malik Muhammad Zafar	36302-5283866-1	-	-	4,398,803	9.48%
6	Mr. Tauseef-Ul-Rehman	Alla-Ul-Rehman	36302-0724508-9	-	-	3,613,751	7.79%
7	Mr. Ameer Hamza Khan	Muhammad Ramzan Khan	38301-3219020-5	-	-	2,154,799	4.64%
Total				-	-	28,184,042	60.74%
Total Issued Voting Shares						46,401,450	

4. Chaudhary Zahoor Ahmad (Late) and his family had disposed-off 52% of their shareholding whereas LSE Ventures Limited has disposed-off its entire shareholding in the Target Company i.e. 10.47%, from the period January 01, 2023 to September 30, 2023, The shares of Chaudhary Zahoor Ahmad (Late) and family and LSE Ventures Limited were substantially acquired in physical form by Mr. Ali Shahzad, Mr. Kamran Sharif, Mr. Mubasil Khan Niazi, Ms. Mahnoor Khawaja, Mr. Muhammad Waleed, Mr. Tauseef Ul Rehman and Mr. Ameer Hamza Khan ("the Primary Acquirers").

5. Details of movement in shareholding of Primary Acquirers from the period December 31, 2022, September 30, 2023 and December 31, 2023 is tabulated as under:

S. No.	Shareholders	Shareholding as of December 31, 2023	Percentage of Shareholding as of December 31, 2023	Shareholding as of September 30, 2023	Percentage of Shareholding as of September 30, 2023	December 31, 2022
1	Mr. Ali Shahzad	13,601,242	29.31%	4,692,248	10.11%	-
2	Mr. Kamran Sharif	4,464,302	9.62%	4,464,302	9.62%	-
3	Mr. Muhammad Mubasil Khan Niazi	4,441,948	9.57%	4,441,948	9.57%	-
4	Ms. Mahnoor Khawaja	--	-	4,418,191	9.52%	-
5	Mr. Muhammad Waleed	--	-	4,398,803	9.48%	-
6	Mr. Tauseef-Ul-Rehman	3,613,751	7.79%	3,613,751	7.79%	-
7	Mr. Ameer Hamza Khan	2,154,799	4.64%	2,154,799	4.64%	-
	Total	28,276,042	60.93%	28,184,042	60.74%	-
	Total issued Voting Shares of the Target Company	46,401,450		46,401,450		

6. Mr. Ali Shahzad, during the period July 06, 2023 - August 07, 2023, additionally bought **35,500** shares of the Target Company from ready market from the period January 01, 2023 to September 30, 2023 (as per trading details provided by the Listed Securities Market Surveillance Wing of the Department). Mr. Ali Shahzad further bought **92,000** voting shares of the Target Company from Ready



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Market from the period October 01, 2023 to December 31, 2023. Moreover, entire shareholding of Ms. Mahnoor Khawaja (9.52%) and Mr. Muhammad Waleed (9.48%) was acquired by Mr. Ali Shahzad on December 06, 2023 which resulted in increase in his shareholding in the Target Company to 29.31%.

7. Mr. Ali Shahzad upon acquiring more than 10% voting shares of the Target Company on July 27, 2023 filed disclosure dated August 01, 2023 with the Target Company, the Commission and the PSX under Section 110(1) of the Securities Act, 2015 (**the Act**) and regulation 4(2) of the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 (**the Regulations**) containing the information as prescribed in Schedule III of the Regulations.

8. It is pertinent to mention here that Mr. Ali Shahzad did not disclose any information under PART C (i.e. Particulars of Persons Acting in Concert vide section 108(d) of Act) and under PART D (i.e. Details if the Acquirer/Persons Acting in Concert has representation on the board of directors of the Target Company) in disclosure dated August 01, 2023.

9. The collective increase in shareholding of the Primary Acquirers as a consequence of substantial disposal of shares of the Target Company held by Ch. Zahoor Ahmed (late) & Family and LSE Ventures Limited in a certain time period raised suspicions that the Primary Acquirers collectively acquired more than 30% voting shares of the Target Company *prima facie* through acting in concert without complying with the requirements of section 111(a) of the Act (i.e. obligation to make mandatory Public offer before acquiring more than 30% shares and control of a Listed Company)

10. In order to ascertain as to whether the Primary Acquirers acquired more than 30% voting shares of the Target Company through collusion amongst each other via acting in concert without complying with the requirements of section 111 (a) of the Act i.e. obligation to make mandatory Public offer before acquiring more than 30% shares of the Target Company, the Department vide letters dated November 30, 2023 sought following information/documents from the Primary Acquirers:

- (i) Details of Acquisition of shares by the Acquirer including date and mode of acquisition
- (ii) Details of Seller(s) from whom the voting shares have been acquired by the Primary Acquirers including names and relationship with the Acquirer, if any.
- (iii) Total consideration paid by the Acquirer to the Seller against acquisition of shares of the Target Company
- (iv) Copy of agreement, if any, signed between the Seller and the Acquirer for acquisition of shares of the Target Company.
- (v) Whether the shares of the Target Company have been acquired by the Acquirer in personal capacity or as a part of any consortium with the others Acquirers through acting in concert in light of section 108(d) of the Securities Act, 2015 ("the Act").
- (vi) Relationship of the Acquirer with other Acquirers, if any.

11. The Primary Acquirers responded to the Department vide letters on various dates, which may be summarized as under:

Name	Explanation Provided
Ali Shahzad	<ul style="list-style-type: none">I acquired 4,400,000 shares from LSE Ventures Limited and thereafter purchased 33,000 shares through PSX. Subsequently I acquired 256,748



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Name	Explanation Provided
	<p>shares from Haroon Ghani which raised my shareholding in PKGI by more than 10%</p> <ul style="list-style-type: none">I have recently acquired 4,398,803 shares from Mr. Muhammad Waleed and 4,418,191 shares from Miss. Mahnoor Khawaja on December 06, 2023 which increased my shareholding to 29.3%I have acquired these shares in personal capacity and I am not a part of any consortium and do not possess any knowledge of the other shareholders mentioned in SECP letter.
Kamran Sharif	<ul style="list-style-type: none">On April 20, 2023, I acquired 4,464,302 shares of PKGI. These Shares were purchased from Mr. Nasir Ali, his son Daniyal Ali and his brother Mr. Usman Ali. The primary purpose of this acquisition was for investment. The decision was influenced by efforts of late Ch Zahoor Ahmed and family to rejuvenate the company, which I believe would enhance the value of my investment.<u>Regarding other individuals mentioned in your letter, I must inform that I have no knowledge or association with them.</u>I would appreciate it if you could clarify whether there are any concerns or legal implications related to the acquisition of these shares. Is there a particular issue or legality that I should be aware of concerning this investment?
Mubasil Khan Niazi	<ul style="list-style-type: none">The purchase of shares was negotiated verbally for investment purpose with Chaudhry Zahoor (late) and his family transferred those shares in my name after his death.<u>I do not know the people you have mention in your letter I may sell my shares when my investment becomes sufficiently profitable.</u>Please tell me If I have done anything wrong
Mahnoor Khawaja	<ul style="list-style-type: none">In April 2023, for investment purpose, I acquired 4,418,191 shares in PKGI. These shares were acquired from Late Ch Zahoor Ahmed and his spouse Asma Athar.Recently, I disinvested my entire shareholding to Mr. Ali Shahzad as part of my plans to permanent relocation to USA.<u>Regarding the other shareholders mentioned in your letter, I regret to inform you that I have no knowledge of them</u>
Tauseef Ul Rehman	<ul style="list-style-type: none">CH Zahoor and his family were well known to me. I was aware that the company was in difficulties and he told me that one investor from Lahore



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Name	Explanation Provided
	<p>Stock Exchange wanted to take over his company and remove him from the ownership</p> <ul style="list-style-type: none">• He asked me to buy his family shares so that he could restart the company after fulfilling SECP conditions and the Courts order• No formal agreement was made for purchase of shares from Ch Zahoor Family.• <u>I have no relationship with the persons mentioned in your letter</u>
Muhammad Waleed	<ul style="list-style-type: none">• I have known Ch Zahoor for a very long time• He told me that his company had been in trouble for a very long time• He offered us to acquire shares of the Company which will help his family to restart the company's operation• Decision to invest was therefore for better future prospects as an investor.• <u>I have no relationship with the persons mentioned in your letter however I know Mr. Ali Shahzad as I recently sold my entire shareholding to him.</u>
Ameer Hamza	<ul style="list-style-type: none">• <u>I have no connection with the names mentioned in your letter.</u>• I have purchased these shares from Late Ch Zahoor Ahmed• As per his wordings he will sell some of the share of the family so that the court will allow the company to re-operate• After his commitment, I purchased shares from his family

12. All of the then Primary Acquirers denied any association/ connection with each other which may construe them as Acting in Concert in light of Section 108(d)(i) of the Act. They further asserted that acquisition of shares of the Target Company was made in their individual capacity and they don't have any relation with the other Acquirers. Moreover, it is pertinent to mention here that specific queries raised by the Department with respect to the counter parties and details of consideration paid against said acquisition of shares were not responded by any of the Primary Acquirers.

13. Upon seeking explanation by the concerned department of the Commission from the Primary Acquirers, they did not provide complete details of the acquisition of shares made by them such as exact details of counter parties, total consideration paid against the acquisition of shares along with any documentary evidence etc. Non-provision of details of consideration paid by the Primary Acquirers raised suspicions that the Primary Acquirers are *prima facie* acting in concert to acquire more than 30% shareholding in the Target Company and are not the ultimate beneficial owners/ultimate Acquirers of the shares acquired by the them.



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14. Above stated facts, led to the suspicion that the Acquirers *prima facie* acquired more than 30% voting shares of the Target Company through acting in concert circumventing the requirements of Section 111 of the Act. Hence, an investigation was initiated under Section 139 of the Act through investigation order dated May 16, 2024 to determine the following:

- (i) Factual position regarding suspected violation of law
- (ii) Relationship amongst the Acquirers
- (iii) Source of funds utilized for the acquisition
- (iv) Ultimate Beneficial Owner of the subject acquisitions.

15. Following areas were examined during the investigation:

- NADRA record
- Records from Director Labor and Industries pertaining to firms involved
- Share transfer deeds with the Share Registrar along with details of financial transactions
- Statements of Acquirers

16. The requisite information obtained from NADRA vide letter dated May 21, 2024 and statements recorded before the investigation team revealed the following:

- (i) Mr. Muhammad Shahzad Habib bearing CNIC No: 36302-6952544-1 is the Father of Mr. Ali Shahzad.
- (ii) Ms. Bushra Shahzad bearing CNIC No: 36302-6129871-2 is the mother of Mr. Ali Shahzad and Spouse of Mr. Muhammad Shahzad Habib.
- (iii) Ms. Nimra Shahzad bearing CNIC No: 36302-8504038-4 is the daughter of Mr. Muhammad Shahzad Habib and sister of Mr. Ali Shahzad.
- (iv) Mr. Muhammad Waleed (One of the Acquirer) is the husband of Ms. Nimra Shahzad hence son in law of Mr. Muhammad Shahzad Habib / brother in Law of Mr. Ali Shahzad.
- (v) Mrs. Mahnoor Khawaja bearing CNIC No. 36302-9861277-4 is the daughter in law of Mr. Shahzad Habib bearing CNIC No: 36302-6952544-1.

The afore-mentioned individuals are collectively referred to as "**Mr. Shahzad Habib and Family**"

17. In order to ascertain the Ultimate Acquirer/ financier of the subject acquisition of voting shares of the Target Company, financial transactions of the Acquirers were scrutinized, which revealed that Ms. Bushra Shahzad, Mr. Muhammad Shahzad Habib, M/s Ali Cotton Industries, M/s Dawood Builders and M/s Ramzan & Co (used as a conduit) provided funds to the Primary Acquirers just before the execution of purchase of shares. Moreover, it was also revealed that in majority of instances, payment against acquisition of shares were made by the Primary Acquirers to Chaudhry Athar Zahoor and Usman Ali (sons of late Chaudhary Zahoor Ahmed) as all pay orders were made in their joint name.

18. The provision of funds to the Primary Acquirers by Ms. Bushra Shehzad, Mr. Muhammad Shahzad Habib, M/s. Ali Cotton Industries, M/s Dawood Builders and M/s Ramzan & Co is summarized as under:



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Name of the Acquirer	Cheque No	Cheque date	Amount in Rs	Funds provided by
Mahnoor Khawaja	1376953369	April 20, 2023	21,228,000	Bushra Shahzad
Muhammad Waleed	1376953370	April 20, 2023	21,159,000	Bushra Shahzad
Kamran Sharif	1376328341	April 20, 2023	21,448,752	Bushra Shahzad
Mubasil Khan Niazi	1376328343	May 04, 2023	17,300,000	Bushra Shahzad
Tauseef Ur Rehman	62751821	May 12, 2023	10,000,000	Ali Cotton Industries
	00000107	May 12, 2023	7,363,000	Muhammad Shahzad Habib
Ali Shahzad	00000146	June 27, 2023	20,000,000	Dawood Builders
	86451663	July 04, 2023	43,000,000	Ali Cotton Industries
Ameer Hamza khan	1944177957	May 19, 2023	10,927,000	Mohammad Ramzan & Co
Total			172,425,752	

19. Details of consideration paid to Chaudhry Athar Zahoor and Usman Ali and LSE Ventures Limited by the Acquirer are provided as:

Cheque Issued by	Cheque No/Debit Instrument No	Cheque date	Amount in Rs.	Cheque in favor of
Mahnoor Khawaja	25938844	April 27, 2023	21,227,198	Ch Athar Zahoor and Usman Ali
Muhammad Waleed	24035034	April 20, 2023	21,158,067	Ch Athar Zahoor and Usman Ali
Kamran Sharif	8635820	April 28, 2023	21,448,752	Ch Athar Zahoor and Usman Ali
Mubasil Khan Niazi	108139228	May 15, 2023	21,341,334	Ch Athar Zahoor and Usman Ali
Tauseef Ur Rehman	18199532	May 17, 2023	17,362,266	Ch Athar Zahoor and Usman Ali
Ali Shahzad	00000020	June 30, 2023	20,000,000	LSE Ventures Limited
	00000021	June 30, 2023	20,840,000	LSE Ventures Limited
	00000019	June 30, 2023	22,160,000	LSE Ventures Limited
Ameer Hamza Khan	109394298	May 22, 2023	10,926,864	Ch Athar Zahoor and Usman Ali
Total			176,464,481	

20. Since, funds were injected by M/s Ali Cotton Industries, M/s Dawood Builders and M/s Ramzan & Co therefore, details pertaining to owners of the said firms were sought from Labor Industries Department, which revealed as under:

- (i) **M/s. Ali Cotton Industries**, a partnership firm is collectively owned by Mr. Muhammad Shahzad Habib and his wife Mrs. Bushra Shahzad.



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- (ii) **M/s Dawood Builders**, is a sole proprietorship of Mr. Mazhar Iqbal Salman S/o Chaudhary Fazal Kareem bearing CNIC No 3630273435251.
- (iii) **M/s Ramzan & Co**, is a sole proprietorship of Mr. Mian Muhammad Khan bearing CNIC No: 38301-1847506-9

21. Details of the relevant financial transactions revealed that Ms. Bushra Shahzad, Mr. Muhammad Shahzad Habib and M/s Ali Cotton Industries financed the acquisition of shares by Ms. Mahnoor Khawaja, Mr. Kamran Sharif, Mr. Muhammad Waleed, Mr. Mubasil Khan Niazi, Mr. Tauseef Ul Rehman and Mr. Ameer Hamza Khan entailing that the ultimate acquirer of the shares acquired by the Primary Acquirers were Mr. Muhammad Shahzad Habib and Family.

22. The said individuals namely: Ms. Mahnoor Khawaja, Mr. Kamran Sharif, Mr. Muhammad Waleed, Mr. Mubasil Khan Niazi, Mr. Tauseef Ul Rehman and Mr. Ameer Hamza Khan paid **Rs. 113,464,481** as consideration against acquisition of **50.62%** voting shares of the Target Company wherein at least **96.44%** (i.e. **Rs 109,425,752**) funds for such acquisitions were provided by Ms. Bushra Shahzad, Mr. Muhammad Shahzad Habib and Ali Cotton Industries, details regarding total financing provided by Shahzad Habib and Family Other than Financing provided to Mr. Ali Shahzad is tabulated as under:

<i>Total financing provided by Shahzad Habib and Family Other than Financing provided to Mr. Ali Shahzad</i>					
Cheque Issued in Favor of	CNIC	Cheque No	Cheque date	Amount in Rs.	Cheque issued by
Mahnoor Khawaja	36302-9861277-4	1376953369	April 20, 2023	21,228,000	Bushra Shahzad
Muhammad Waleed	36302-5283866-1	1376953370	April 20, 2023	21,159,000	Bushra Shahzad
Kamran Sharif	35201-2590763-9	1376328341	April 20, 2023	21,448,752	Bushra Shahzad
Mubasil Khan Niazi	36302-0603285-9	1376328343	May 04, 2023	17,300,000	Bushra Shahzad
Tauseef Ur Rehman	36302-0724508-9	62751821	May 12, 2023	10,000,000	Ali Cotton Industries (firm of Bushra and Shehzad Habib)
		00000107	May 12, 2023	7,363,000	Muhammad Shahzad Habib
Ameer Hamza khan	38301-3219020-5	1944177957	May 19, 2023	10,927,000	Ramzan & Co (Funded by Mr. Muhammad Shahzad Habib and Ms. Bushra Shahzad)
Total Financing provided by Shahzad Habib and Family				109,425,752	



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Moreover, details regarding total Consideration paid by Acquirers (other than Ali Shahzad) is tabulated hereunder:

Total Consideration paid by Acquirers (other than Ali Shahzad)					
Cheque Issued by	CNIC	Cheque No/Debit Instrument No	Cheque date	Amount in Rs	Shares Acquired by Acquirers
Mahnoor Khawaja	36302-9861277-4	25938844	April 27, 2023	21,227,198	9.52%
Muhammad Waleed	36302-5283866-1	24035034	April 20, 2023	21,158,067	9.48%
Kamran Sharif	35201-2590763-9	8635820	April 28, 2023	21,448,752	9.62%
Mubasil Khan Niazi	36302-0603285-9	108139228	May 15, 2023	21,341,334	9.57%
Tauseef Ur Rehman	36302-0724508-9	18199532	May 17, 2023	17,362,266	7.79%
Ameer Hamza Khan	38301-3219020-5	109394298	May 22, 2023	10,926,864	4.64%
Total Consideration paid by Acquirers other than Ali Shahzad				113,464,481	50.62%
Total financing provided by Mr. Muhammad Shahzad Habib and Ms. Bushra Shahzad for acquisition of 50.62% voting shares of the Target Company				96.44%	

23. The summarized analysis of information received from NADRA and financial transactions are as under:

- Transactions pertaining to shares Acquired by Ms. Mahnoor Khawaja, Mr. Kamran Sharif, Mr. Muhammad Waleed, Mr. Mubasil Khan Niazi and Mr. Tauseef ur Rehman and Mr. Ameer Hamza Khan were financed by Ms. Bushra Shehzad, Mr. Muhammad Shahzad Habib and M/s Ali Cotton Industries (a partnership firm of Mr. Muhammad Shahzad Habib and his wife Mr. Bushra Shahzad).
- The payees of the sale proceed were Chaudhry Athar Zahoor and Usman Ali (sons of late Chaudhary Zahoor Ahmed), being the sellers as all pay orders were made in their joint name.
- The ultimate acquirer of shares of the Target Company by the aforementioned individuals are Mr. Muhammad Shahzad Habib and his family as the funds were largely fed by them to the individuals just before the execution of sale of shares. Hence, *prima facie* all the individuals acted as front men of Mr. Shehzad Habib & his family.

24. Mr. Muhammad Shahzad Habib, Ms. Bushra Shahzad, Mr. Ali Shahzad, Ms. Mahnoor Khawaja, Mr. Kamran Sharif, Mr. Muhammad Waleed, Mr. Muhammad Mubasil khan Niazi, Mr. Tauseef Ul Rehman, Mr. Ameer Hamza khan, Mr. Mazhar Iqbal Salman and Mian Mohammad khan were called upon to appear before the investigation team for recording of statement.

25. Extracts of statements recorded by Mr. Muhammad Shahzad Habib, Ms. Bushra Shahzad, Mr. Ali Shahzad, Mr. Kamran Sharif, Mr. Muhammad Waleed, Mr. Muhammad Mubasil khan Niazi, Mr. Tauseef Ul Rehman, Mr. Ameer Hamza Khan, Mr. Mazhar Iqbal Salman and Mr. Mian Mohammad khan was attached with the SCN for providing opportunity of fair trial.



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26. Ms. Mahnoor Khawaja did not appear before the Investigation team despite ample opportunities for recording of statement vide notices dated June 04, 2024 and June 25, 2024. Moreover, Ms. Bushra Shahzad (Mother in law of Ms. Mahnoor Khawaja) while recording her statement on June 28, 2024 informed that Ms. Mahnoor Khawaja left for USA in July 2023 and has not returned to Pakistan since then and would not be able to appear before the investigation team for recording of statement. However, it is imperative to mention here that since Mr. Muhammad Shahzad Habib (Father in Law of Ms. Mahnoor Khawaja) while recording his statement admitted that he is ultimate Acquirer of **60.93%** shares acquired by the other Acquirers including shares acquired by Ms. Mahnoor Khawaja. Therefore, personal recording of statement of Ms. Mahnoor Khawaja was not warranted.

27. Findings of the investigation revealed the following:

- i. Mr. Muhammad Shahzad Habib (Father of Mr. Ali Shahzad), Ms. Bushra Shahzad (Spouse of Mr. Muhammad Shahzad Habib) and M/s Ali Cotton Industries (A partnership firm jointly owned by Mr. Muhammad Shahzad Habib and his spouse Ms. Bushra Shahzad) financed the acquisition of **60.93%** voting shares of the Target Company collectively acquired by Mr. Ali Shahzad, Ms. Mahnoor Khawaja, Mr. Kamran Sharif, Mr. Muhammad Waleed, Mr. Muhammad Mubasil Khan Niazi, Mr. Tauseef Ur Rehman and Mr. Ameer Hamza Khan.
- ii. The Primary Acquirers acquired voting shares of the Target Company in a deceitful manner by keeping their individual shareholding in the Target Company below the specified thresholds as provided in Section 110 and Section 111 of the Act. In this regard, only Mr. Ali Shahzad filed the disclosure under Section 110(1) of the Act upon acquisition of more than 10% voting shares of the Target Company, however he did not disclose any information in the subject disclosure regarding "Persons Acting in Concert".
- iii. The financial transactions revealed that Mr. Muhammad Shahzad Habib, Ms. Bushra Shahzad and M/s Ali Cotton Industries provided premeditated funding of Rs. 109,425,752 directly into bank accounts of Ms. Mahnoor Khawaja, Mr. Muhammad Waleed, Mr. Mubasil Khan Niazi, Mr. Kamran Sharif, Mr. Tauseef Ul Rehman and indirectly to Mr. Ameer Hamza Khan through the bank account of M/s Ramzan & Co, for collective acquisition of 50.62% voting shares of the Target Company against consideration of Rs. 113,464,481, on their behalf and to the benefit of Mr. Shahzad Habib. Additionally, Mr. Ali Shahzad, son of Mr. Muhammad Shahzad Habib, admitted that his acquisition of 29.31% shares of the Target Company was financed by his father Mr. Muhammad Shahzad Habib.
- iv. Mr. Ali Shahzad, Ms. Mahnoor Khawaja, Mr. Muhammad Waleed, Mr. Mubasil Khan Niazi, Mr. Kamran Sharif, Mr. Tauseef Ul Rehman and Mr. Ameer Hamza Khan acted as front of Mr. Muhammad Shahzad Habib where the ultimate acquirer of **60.93%** voting shares of the Target Company was found to be Mr. Muhammad Shahzad Habib. The same fact was admitted by Mr. Muhammad Shahzad Habib while recording his statement where confirmed that he is the ultimate acquirer of **60.93%** shares of the Target Company collectively acquired through his son Mr. Ali Shahzad, Ms. Mahnoor Khawaja, Mr. Muhammad Waleed, Mr. Mubasil Khan Niazi, Mr. Kamran Sharif, Mr. Tauseef Ul Rehman and Mr. Ameer Hamza Khan. Ms. Bushra Shahzad also endorsed the same fact in her statement that she is a house wife and has acted on the instruction of Mr. Muhammad Shahzad Habib i.e. her husband.
- v. Ms. Mahnoor Khawaja, Mr. Muhammad Waleed, Mr. Mubasil Khan Niazi, Mr. Kamran Sharif, Mr. Tauseef Ul Rehman, Mr. Ameer Hamza Khan, Mr. Ali Shahzad, Mr. Muhammad Shahzad Habib and Ms. Bushra Shahzad ("**Collectively as Acquirers**") cooperated for acquisition of **60.93%** voting shares of the Target Company via provision of funds by Mr. Muhammad Shahzad Habib, Ms. Bushra Shahzad and M/s Ali Cotton Industries for acquisition of shares of the Target



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- Company, thus the said individuals are "Persons Acting in Concert" in light of Section 108(d)(i) of the Act hence fall within the definition of Acquirer as provided in Section 108(a) of the Act.
- vi. Provision of funds by Mr. Muhammad Shahzad Habib & Family in a deceitful manner revealed that the Acquirers collectively acquired more than 30% voting shares of the Target Company, in contravention of requirements of Section 111(a) of the Act i.e. obligation to hold mandatory Public offer before acquiring more than 30% voting shares of the Target Company.

28. The Commission while taking cognizance of the aforementioned non-compliance served the SCN upon the Acquirers, requiring him to submit its written reply within 14 days of the date of the SCN. In response to SCN, the Representative on behalf of the Acquirers vide letter dated August 06, 2024, the extract of which is provided as:

2. "...On behalf of the Respondents, it is humbly submitted that we do not desire to challenge the contents of the show cause notice. However, it is considered necessary to provide a brief factual background or the aforesaid acquisition of shares. Chaudhary Zahoor Ahmad and family have been the major shareholders of the Company for approximately four decades and were holding approximately 75 percent shares. Mr. Zahoor before his death in year 2023, discussed with Mr. Muhammad Shahzad Habib for the disposal of shares of the Company to Mr. Shahzad, however, after his death, the family of Mr. Zahoor approached Mr. Shahzad seeking his interest in acquisition of their entire shareholding, for proper and professional management of the Company's operations. Mr. Shahzad, having intensive experience in the insurance sector, agreed to acquire the shares. Mr. Shahzad, after seeking consultation and guidance from his close associates in the field, decided to execute and complete the transaction by acquisition of shares of the target company through different individuals. Although ignorance of the law is not an excuse, it is submitted that if professional advice would have obtained at the relevant time Mr. Shahzad, being law abiding citizen, would have complied with the requirements of Section 111 of the Act. Mr. Shahzad, throughout his professional life, spanning over 35 years was never found guilty of non-compliance of regulatory requirements.

3. The Commission, from the detailed investigation, has itself concluded that the ultimate beneficial owner of the shares acquired by all acquirors, is Mr. Shahzad, and he has already admitted his default, due to ill advise by the associates at relevant times, and has given his consent to comply with the requirements of the Act. It is therefore requested to close the proceedings against the following individuals as they have no direct involvement in the alleged acquisition of shares, and they acquired shares on the request of Mr. Shahzad with funds provided directly or indirectly by Mrs. Bushra Shahzad wife of Mr. Shahzad:

S. No.	Name of Individual
1.	Mr. Ali Shahzad
2.	Mr. Kamran Sharif
3.	Mr. Muhammad Mubasil Khan Niazi
4.	Mrs. Mahnoor Khawaja
5.	Mr. Muhammad Waleed
6.	Mr. Tauseef UI Rehman
7.	Mr. Ameer Hamza Khan



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4. Therefore, the ultimate owner of the shares is Mrs. Bushra Shahzad for the time being. It is also appropriate and important to bring to the knowledge of the SECP that Mrs. Bushra Shahzad and Mr. Shahzad intend to acquire the remaining shares, around 22 percent of the total shares of the Company, at present held by the family of the late Mr. Zahoor.

5. In view of the above, it is requested to take a lenient view and close the aforesaid proceedings since Mr. Shahzad has all the intention to revive the Company's business operations, which have been suspended now for a substantially long period. The revival of the target company will result in generation of employment and reasonable financial return for the minority shareholders.

6. The intention of the revival can be confirmed from the record of the SECP as some prominent professionals are now part of the Board of Directors of the Company, including:

a) Mr. Abdul Haseeb Fakih

Mr. Haseeb boasts over 30 years of extensive experience within the insurance industry and broader corporate sector. His career spans leadership roles in major multinational and local insurance companies, including Commercial Union Assurance, AIG - New Hampshire Insurance, IGI Insurance, Saudi Pak Insurance, and Dawood Family Takaful Limited, among others. Mr. Fakih has held pivotal positions ranging from Head of various departments, such as Underwriting, Claims, Reinsurance, Risk Management, and Training & Development to Chief Executive Officer, demonstrating his multifaceted expertise across operational, managerial, and strategic realms. Additionally, he possesses in-depth knowledge of applicable laws, regulations, and governance frameworks governing the insurance and takaful sectors.

b) Mr. Abrar Ahmad Cheema

Mr. Abrar is a proactive, innovative, and success-driven professional with over 30 years of experience in the banking and financial sector. With a strong background in banking industry operations, business development, and management, Mr. Abrar has demonstrated exceptional performance in market vision and integrity. He has a proven track record of building and leading high-performing teams, establishing new distribution channels, launching branches, and nurturing customer relationships. Mr. Abrar expertise spans a wide range of areas including accounting, financial analysis, risk management, credit administration, and relationship management. Throughout his career, Mr. Abrar has held senior executive positions at leading banks including Al-Baraka Bank, Burj Bank Ltd., Faysal Bank Ltd., and Allied Bank Ltd., where he managed extensive branch networks, developed robust processes for talent acquisition, and ensured compliance with regulatory standards. Mr. Abrar's accomplishments include achieving 100 percent Bancassurance and Wealth Management targets, leading top-performing regional teams, and consistently driving business growth through strategic initiatives and effective leadership. He is recognized for his dedication to professional excellence, employee engagement, and delivering exceptional customer service.

c) Mr. Muhammad Asad Jaweed

Mohammad Asad Jaweed is a seasoned professional with over 33 years of experience in the insurance and reinsurance industry. He is known for his dynamic leadership and strategic vision, having successfully implemented operational strategies to drive organizational growth. Mr. Jaweed possesses extensive expertise in managing large-scale operations encompassing reinsurance, underwriting, claims, clientele relations, and P&L



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management. He is recognized for his excellent interpersonal skills, effective communication, and negotiation abilities across all levels of business. Throughout his career, Mohammad Asad Jaweed has held significant positions in multinational insurance companies such as Seib Insurance & RI. Company in Doha, Qatar, Malath Cooperative Ins & RI Company in Riyadh, KSA, Global Insurance Consultants in London, Islamic Arab Insurance Co. (IAIC) in Jeddah, KSA, and EFU General Insurance Limited in Pakistan, among others.

d) Mr. Ali Shahzad

Mr. Ali is a driven and dedicated insurance professional with over 10 years of experience in management and business development. Skilled in enhancing operational efficiency, conducting detailed analysis, and implementing strategic changes to drive business growth. Proven ability to develop effective strategies and communications to engage target audiences. Experienced in managing teams, ensuring compliance, and delivering high quality services to clients. Since January 2022, Mr. Ali has served as Assistant General Manager (Development) at IGI Insurance Company Ltd., where he has played a pivotal role in driving the company's general insurance business forward. His primary area of focus has been securing significant insurance contracts "or IGI General Insurance Company Ltd. In order to guarantee that company goals are fulfilled on schedule, he also managed teams. His hands-on management of the underwriting and claims department guaranteed adherence to legal requirements and oversaw the handling of claims. He was instrumental in growing the general insurance business and developing a solid corporate culture that was in line with organizational behavior theories while serving as Assistant Vice President (Marketing) at Askari General Insurance Company from February 2013 to August 2021. Through shrewd correspondence and negotiations, he oversaw crucial duties like claim settlements, policy renewals, and the acquisition of new policies.

7. It is unconditionally assured that all the requirements of the Act will be complied with, in a manner as provided under the Act and the Regulations.

8. A recent judgement of the Commission, for non-compliance of the requirements of takeover law, in the matter of First Credit and Investment Limited, is attached for reference, as a precedence, where a lenient view has been taken by the Commission...."

29. In order to provide the Acquirers an opportunity of personal representation, hearing in the matter was fixed for August 12, 2024 which was attended by Mr. Rashid Ibrahim as Authorized Representative (**the Representative**) on behalf of all the Acquirers. During the course of hearing, the Representative was advised to explain the reasons for the alleged non-compliances, as narrated in the SCN. The Representative reiterated the same stance as taken in response to the SCN which may be summarized as:

- **Acknowledgment of Allegations:** The Acquirers do not dispute the contents of the SCN and acknowledge their acquisition of a majority shareholding in the Target Company.
- **Commitment to Compliance:** The Acquirers are committed to reviving the Company and addressing any non-compliance with the Act's requirements.
- **Public Offer Plan:** The Acquirers have expressed their intention to conduct a public offer in accordance with the Act and have already started negotiation to engage a Manager to the Offer (MTO).
- **Submission of Documentation:** A detailed roadmap for the public offer, along with the



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relevant documentary evidence, will be provided to the Commission as soon as possible.

30. Subsequent to the hearing proceedings, another response was received from the Representative of the Acquirer vide letter dated August 19, 2024, the relevant extract of which is provided as under:

"In reference to the hearing of show cause notice identified above, and in continuation we are pleased to provide the following information, as required during the meeting, after confirmation from the respective individuals:

- a) *It was confirmed that the company and its directors are diligently working towards making all the compliances required under the related regulations and the provisions of the Companies Act, 2017 including Public Offering, which is expected to take approximately 90 to 105 days. As soon as the dates are finalized, these will be conveyed to your office.*
 - b) *The unblocking of shares within the Central Depository Company ("CDC") is of paramount importance. Proposed roadmap includes the following key steps:
Step 1: Transfer of shares to Mr. Shahzad Habib's family (anticipated completion within one week)
Step 2: Conversion of physical share certificates into electronic form (one week)
Step 3: Consolidation of electronic shares into a single CDC account (one week)
Step 4: Blocking of the CDC account (one week)
It is expected that the process will be completed by September 15, 2024.*
 - c) *The information required in terms of Rule 13 of the Companies Regulations, 2024 is being compiled in respect of Ultimate Beneficial Owner ("UBO"). This information will be submitted within next 10 to 15 days.*
 - d) *It is expected that Mr. Shahzad Habib will join the Board of Directors of Pakistan General Insurance Limited, following his retirement on June 30, 2025. For the time being, Mr. Ali Shahzad will represent him on the Board, with Mrs. Bushra Shahzad also joining as member. It is assured that Mr. Shahzad Habib, a highly esteemed professional, remains fully committed to assuming his role on the Board.*
2. *In view of these submissions and ongoing efforts, it is respectfully requested to permit the company to resume underwriting new insurance business, as the current delay is resulting in significant financial and reputational loss..."*

31. In view of the aforementioned stance of the Acquirers and their Representative, I have the following question posed before me to take a decision in the matter:

I. How does the acquisition of 60.93% % of shares of the Target Company by Mr. Shahzad through multiple proxies contravene Section 111 of the Act?

Mr. Muhammad Shahzad Habib orchestrated the acquisition of 60.93% of the shares of the company, which were originally held by Chaudhary Zahoor Ahmad and his family and LSE Ventures, through multiple proxies. Section 111 of the Act explicitly mandates that any person who directly or indirectly acquires more than 30% of the voting shares in a company must make a public offer to acquire voting shares in the Target Company. Mr. Muhammad Shahzad Habib, along with his spouse Ms. Bushra Shahzad and their partnership firm M/s Ali Cotton Industries, orchestrated



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a strategic acquisition of 60.93% of the voting shares in the Target Company. This acquisition was achieved through a network of proxies, including Mr. Ali Shahzad, Ms. Mahnoor Khawaja, Mr. Kamran Sharif, Mr. Muhammad Waleed, Mr. Muhammad Mubasil Khan Niazi, Mr. Tauseef Ul Rehman, and Mr. Ameer Hamza Khan. The funding for this substantial share acquisition was carefully arranged, with a total of Rs. 109,425,752 provided directly into the bank accounts of the proxies (other than financing provided to Mr. Ali Shahzad) and indirectly through M/s Ramzan & Co for Mr. Ameer Hamza Khan. This funding facilitated the acquisition of 50.62% of the shares against a total consideration of Rs. 113,464,481, effectively consolidating control under Mr. Muhammad Shahzad Habib while maintaining the individual shareholdings of the proxies below the disclosure thresholds stipulated in Sections 110 and 111 of the Act.

The deceitful nature of this acquisition is evident in the coordinated efforts of the proxies to circumvent regulatory requirements. Despite Mr. Ali Shahzad's disclosure of acquiring more than 10% of the shares, no information was provided about "Persons Acting in Concert," thus concealing the collective nature of the acquisition. Moreover, none of the other Acquirers made any disclosure in terms of Section 110 of the Act owing to the fact that the Acquirers were acting in concert.

Mr. Muhammad Shahzad Habib's role as the ultimate acquirer was further corroborated by admissions from both him and Ms. Bushra Shahzad, confirming that Mr. Muhammad Shahzad Habib, via his family and proxies, effectively acquired the majority shareholding. This premeditated funding strategy and the use of multiple proxies highlight a deliberate attempt to bypass the mandatory public offer requirement under Section 111 of the Securities Act, 2015. By failing to make a public offer upon surpassing the 30% threshold, Mr. Muhammad Shahzad Habib, along with the persons acting in concert collectively known as the Acquirers, contravened Section 111 of the Act.

II. *What is the nature of the relationship among the acquirers, and how does their connivance reflect in the acquisition of 60.93% of the Target Company's voting shares?*

The Acquirers in this case exhibit a web of familial and business relationships that indicate a high degree of connivance and orchestrated coordination in the acquisition of 60.93% of the Target Company's voting shares. Mr. Muhammad Shahzad Habib, the central figure, is the father of Mr. Ali Shahzad, and his spouse, Ms. Bushra Shahzad, is also intricately involved. Mr. Shahzad's daughter, Ms. Nimra Shahzad, and her husband, Mr. Muhammad Waleed, further intertwine the familial connections. Additionally, Mrs. Mahnoor Khawaja, another acquirer, is the daughter-in-law of Mr. Muhammad Shahzad Habib. The funds for acquiring the shares were predominantly provided by Mr. Muhammad Shahzad Habib, Ms. Bushra Shahzad, and M/s Ali Cotton Industries, reflecting a deliberate strategy to bypass regulatory requirements. Despite claims of individual capacity acquisitions by each participant, the financial transactions and relationships reveal a clear pattern of concerted action. Specifically, Mr. Muhammad Shahzad Habib's provision of funds to other acquirers and their collective acquisition strategy were designed to obscure the true nature of the shareholding structure and evade mandatory disclosure requirements under the Act. These individuals are classified as "*persons acting in concert*" in terms of Section 108(d) of the Part IX (Takeovers) of the Act. The failure of Acquirers to disclose their connections and coordinated actions in filing and making a public offer, further underscores their connivance and deceptive intent, culminating in a violation of Section 111 of the Act.

III. *What is the role of Individuals in acquisition of 60.93% shareholding in the Target Company?*

Chaudhry Zahoor Ahmad and his family had disposed off 52% of their shareholding whereas LSE Ventures had disposed of its entire shareholding in the Target Company i.e. 10.47% from the period



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January 01, 2023 to September 30, 2023. The shares of Chaudhary Zahoor Ahmad and family and LSE Ventures were substantial acquired in physical form by Mr. Ali Shahzad, Mr. Kamran Sharif, Mr. Mubasil Khan Niazi, Ms. Mahnoor Khawaja, Mr. Muhammad Waleed, Mr. Tauseef Ul Rehman and Mr. Ameer Hamza Khan. The acquisition of 60.93% of the Target Company's voting shares was orchestrated through a coordinated effort involving Mr. Muhammad Shahzad Habib and his immediate family. This group includes Mr. Muhammad Shahzad Habib himself, his spouse Ms. Bushra Shahzad, his daughter Ms. Nimra Shahzad, his son-in-law Mr. Muhammad Waleed, and his daughter-in-law Mrs. Mahnoor Khawaja. The role of each individuals is detailed as under:

1. Mr. Ali Shahzad:

Role: Mr. Ali Shahzad, during the period July 06, 2023 - August 07, 2023, additionally bought 35,500 shares of the Target Company from ready market from the period January 01, 2023 to September 30, 2023(as per trading details provided by the Listed Securities Market Surveillance Wing of the Department). Mr. Ali Shahzad further bought 92,000 voting shares of the Target Company from Ready Market from the period October 01, 2023 to December 31, 2023. Moreover, entire shareholding of Ms. Mahnoor Khawaja (9.52%) and Mr. Muhammad Waleed (9.48%) was acquired by Mr. Ali Shahzad on December 06, 2023 which resulted in increase in his shareholding in the Target Company to 29.31%.

Connection to Default: His significant share acquisitions, combined with others acting in concert, contributed to surpassing the 30% threshold without making the mandatory public offer in contravention of Section 111 of the Act.

2. Ms. Mahnoor Khawaja:

Role: Acquired 9.52% of the shares, funded by Mrs. Bushra Shahzad.

Connection to Default: Her acquisition combined with others acting in concert and subsequent transfer of shares to Mr. Ali Shahzad were part of the coordinated effort to bypass the public offer requirement in contravention of Section 111 of the Act.

3. Mr. Muhammad Waleed:

Role: Acquired 9.48% of the shares, also funded by Mrs. Bushra Shahzad.

Connection to Default: His acquisition was part of the collective action by the persons acting in concert without making a public offer leading to contravention of Section 111 of the Act.

4. Mr. Kamran Sharif:

Role: Acquired 9.62% of the shares with financial backing from the Mr. Muhammad Shahzad Habib and family.

Connection to Default: His participation in the acquisition along with others acting in concert further added to the concerted effort, crossing the 30% threshold without compliance leading to breach of Section 111 of the Act.

5. Mr. Mubasil Khan Niazi:

Role: Acquired 9.57% shares with funds provided by Mrs. Bushra Shahzad.

Connection to Default: His involvement, backed by coordinated financing, was part of the broader strategy to acquire shares beyond 30% without making a public offer leading to contravention of Section 111 of the Act.



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6. Mr. Tauseef Ul Rehman:

Role: Acquired 7.79% shares with funding from M/s Ali Cotton Industries and Mr. Shahzad Habib.

Connection to Default: His acquisition, along with others acting in concert, contributed to the collective violation of the mandatory public offer requirement in breach of Section 111 of the Act.

7. Mr. Ameer Hamza Khan:

Role: Acquired 4.64% shares using funds routed through M/s Ramzan & Co.

Connection to Default: He was acting in concert while participating as a proxy acquirer, was critical in surpassing the 30% threshold without making a public offer leading to violation of Section 111 of the Act.

IV. *How did Mr. Muhammad Shahzad Habib, Ms. Bushra Shahzad, and associated entities finance the acquisition of 60.93% of the Target Company's voting shares by the Acquirers, and what does this reveal about their role in the transaction?*

The financing of the acquisition of 60.93% of the Target Company's voting shares involved substantial financial contributions from Mr. Muhammad Shahzad Habib, Ms. Bushra Shahzad, and their affiliated entities. The detailed financial analysis reveals that these individuals and entities provided a total of Rs. 109,425,752 directly and indirectly to various acquirers, which constituted 96.44% of the total consideration of Rs. 113,464,481 for acquiring 50.62% (except from Mr. Ali Shahzad, son of Mr. and Mrs. Shahzad Habib) of the voting shares.

The breakdown of funding is as follows:

- i. Ms. Bushra Shahzad provided Rs. 21,228,000 to Ms. Mahnoor Khawaja, Rs. 21,159,000 to Mr. Muhammad Waleed, Rs. 21,448,752 to Mr. Kamran Sharif, and Rs. 17,300,000 to Mr. Mubasil Khan Niazi, totaling **Rs. 81,135,752**.
- ii. M/s Ali Cotton Industries provided Rs. 10,000,000 to Mr. Tauseef Ur Rehman and Rs. 43,000,000 to Mr. Ali Shahzad, totaling **Rs. 53,000,000**.
- iii. Mr. Muhammad Shahzad Habib provided Rs. 7,363,000 to Mr. Tauseef Ur Rehman and Rs. 20,000,000 to Mr. Ali Shahzad, totaling **Rs. 27,363,000**.
- iv. M/s Ramzan & Co, which was used as a conduit, provided **Rs. 10,927,000** to Mr. Ameer Hamza Khan.

These funds were instrumental in the acquisition of voting shares by various individuals, including Ms. Mahnoor Khawaja, Mr. Muhammad Waleed, Mr. Kamran Sharif, Mr. Mubasil Khan Niazi, Mr. Tauseef Ur Rehman, and Mr. Ameer Hamza Khan. Specifically, Rs. 113,464,481 was paid in total, with 96.44% of this amount (Rs. 109,425,752) financed by Mr. Shahzad Habib and Ms. Shahzad through their personal resources and affiliated entities.

Additionally, it was found that the majority of payments were made to Chaudhry Athar Zahoor and Usman Ali, as evidenced by cheques issued in their joint names. This suggests that the funds were carefully routed to maintain a semblance of separation between the ultimate financiers and the acquisition process, thereby potentially avoiding direct regulatory scrutiny.

This financial structure indicates a deliberate attempt to mask the true extent of Mr. Shahzad Habib's and Ms. Shahzad's involvement in the acquisition. By utilizing multiple entities and individuals as intermediaries, they effectively concealed their collective acquisition of 60.93% of the Target Company's shares. By failing to disclose their collective acquisition of a controlling interest and not



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making a mandatory public offer as required under Section 111 of the Securities Act, 2015, Mr. and Mrs. Shahzad Habib have contravened the law. Their actions, when considered in conjunction with Section 108 of the Act, which defines "persons acting in concert," underscore a deliberate attempt to evade regulatory obligations. The coordinated efforts to obscure their involvement and bypass the mandatory public offer requirement demonstrate a serious breach of transparency, which is fundamental to maintaining market integrity and protecting minority shareholders. As such, Mr. Muhammad Shahzad Habib and Ms. Bushra Shahzad must be recognized as the Acquirers, without making compliance with the requirements of Section 111 of the Act.

V. *What does Mr. Shahzad's acknowledgment of the contravention due to "ill advice" reveal about his compliance with Section 111, given his extensive professional experience?*

Mr. Shahzad's acknowledgment that he acted on "ill advice" and did not comply with Section 111, despite being a seasoned professional with over 35 years of experience in the insurance sector, raises significant concerns. As someone with a deep understanding of the industry, Mr. Shahzad should have been fully aware of the legal obligations regarding transparency in share acquisitions. The failure to properly disclose the ultimate beneficial ownership of the shares, especially when acquiring a controlling interest of 60.93%, indicates a serious lapse in judgment and compliance.

Section 111 of the Act requires that any substantial acquisition exceeding 30% shareholding, that shifts control of a company, must be accompanied through public offer. Mr. Shahzad's failure to do so, despite his extensive professional background, reflects a disregard for the regulatory framework designed to maintain market fairness and accountability. His admission of default due to poor advice does not absolve him of responsibility; rather, it underscores the importance of enforcing Section 111 to ensure that even experienced professionals adhere to the rules. Hence, violation of Section 111 of the Act is established.

VI. *What should be the way forward and mandatory public offer in terms of Section 111 of the Act?*

The Respondent has submitted that they intend to comply with the regulatory requirements by conducting a public offer in the future. They have acknowledged their prior non-compliance with Section 111 of the Act and have expressed their commitment to remedying this by initiating the mandatory public offer process. The Respondent in its reply submitted that it is in process of making all compliances required under the related regulations including **Public Offer which is expected to take 90 to 105 days.** The Respondent has committed to submitting a detailed roadmap for the public offer, which will include timelines, procedures, and all necessary documentation. The Respondent has stated that they have already engaged a Manager to the Offer (MTO) to oversee the public offer process. However, the Respondent failed to provide documentary evidences substantiating its claim for adherence to relevant takeovers regulatory framework.

VII. *What is the Objective of Takeover Regulatory Framework and how it protects the rights of minority shareholders?*

The objective of the takeover regulatory framework is to ensure a fair, transparent, and efficient process for the acquisition of substantial voting shares and the takeover of listed companies, safeguarding the interests of all investors. At its core, takeover law is designed to strike a balance between fostering a competitive market for corporate control and protecting minority shareholders during a takeover bid. This protection is crucial, as minority shareholders are often vulnerable in such scenarios, and without adequate safeguards, their interests could be compromised.



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The takeover regulatory framework is designed to ensure a transparent, fair, and orderly process during significant share acquisitions, protecting minority shareholders and the general public. It mandates full disclosure, fair pricing, and equitable treatment to prevent manipulation or unfair advantages. The framework also safeguards minority shareholders from being disadvantaged by majority shareholders or new acquirers, maintaining their rights and investment value. By enforcing these rules, the framework upholds market integrity and public confidence, ensuring that all participants operate on a level playing field. The case at hand underscores the importance of these regulations and the risks posed by non-compliance.

32. Similar cases of violations of Takeover Regulatory Framework have been decided by the Appellate Bench of the Commission in the past. These appeals discussed below reflect on the intricate balance between regulatory oversight and the rights of stakeholders within the Takeover framework. The Commission has underscored the necessity for transparency, fairness, and adherence to legal provisions in corporate acquisitions through the decisions before the Appellate Bench.

i. Rationale of the Takeovers Ordinance – Wazir Ali Industries v. ED Enforcement; Appeal No. 04 of 2011 Mahboob Elahi and others v. Commissioner CLD:

The rationale as stated in the preamble read with other provisions of the Takeovers Ordinance is to provide for a fair and equal treatment to all the investors as well as a transparent and efficient system for substantial acquisition of voting shares and take-over of listed companies. The preamble read with the provisions of the Takeovers Ordinance makes us conclude: that the Takeovers Ordinance was promulgated to develop a transparent system, where substantial acquisition of voting rights or control of listed companies was about to take place. In such an instance the investors (in the company whose share or control is being acquired) are provided with the opportunity to dispose of their shareholdings, where they are not confident of the merits, with the acquisition of voting rights or control by one or more individuals. The disclosure requirements to be complied with under the Takeovers Ordinance have been designed to attain the overall objective to promote, in conjunction with other regulatory regimes, the integrity of the financial markets. The commercial advantages or disadvantages are not of concern to the Takeovers Ordinance. The purpose of the Takeovers Ordinance unless looked at in light of the foregoing can neither be appreciated nor understood, as procedures would appear merely procedural and mundane. Globally in the advanced financial markets there are more stringent laws which address every small aspect that need to be complied with, prior to an individual or group taking control or obtaining shares beyond certain threshold percentages. In the UK for example any acquirer crossing the threshold of 30% of issued capital of a company must make a mandatory bid for the entire residual shareholding of the target company.

ii. Appeal No. 24 of 2009 – Mr. Ali Aslam Malik and other v. ED, SECP:

The appeal was filed against the order of passed by the Respondent wherein collective penalty of Rs. 1 million was imposed under section 26(3) of the Takeovers ordinance for acquiring shares in concert.

The Appellate Bench while dismissing the appeal observed:

The phrase 'acting in concert' has been defined in the Takeovers Ordinance and means a person who co-operates with the acquirer to acquire voting shares or control of the target company. The Acquirers shareholding increased from 10.80% to 42.39%, which reduced to 34.43% as on 16/11/07. The Acquirers are, in fact, FNE Group and Mr. Ali Aslam Malik is the



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chairman of FNE Group..... Moreover, the relationship between the Appellants i.e. husband and wife and the control exercised by the Appellants in the FNE Group leaves no doubt in our mind that the acquisition was made acting in concert.

Section 4 and 5 of the Ordinance are mandatory and sets out a definite criterion which ought to be complied with by the Acquirers. The aforementioned sections are central to the theme of Takeovers Ordinance and have been stated in clear and unambiguous manner. The intention of the legislature comes out of the plain reading of the above cited sections, which are mandatory and not directory as suggested by the Appellants' counsel. The argument gets strength from penal consequences stated in section 25 and 26 of the Ordinance, which are the consequences of non-compliance of section 4 and 5 of the Ordinance.

33. In light of the above considerations, including the written and verbal submissions made by the Acquirers and their Representative, the non-compliance with Section 111(a) of the Act by the Acquirers has been unequivocally established. However, given the Acquirers' commitment, as communicated through their Representative's letter dated August 19, 2024, to proceed with a public offer in the near future and to revive the business of the Target Company, I am inclined to exercise leniency. The public offer is critical in safeguarding the interests of minority shareholders by providing them with a fair and transparent opportunity to exit or reassess their investment at an equitable price. This ensures that minority shareholders are not disadvantaged or marginalized in the face of a significant ownership change. Additionally, the revival of the Target Company's operations promises to enhance the overall value of the company, thereby benefiting all shareholders and contributing to the long-term stability and growth of the company. This dual approach, i.e. ensuring fair treatment of minority shareholders and revitalizing the company's business, will foster greater confidence in the market and among the shareholders, ultimately aligning with the objectives of the takeover regulatory framework.

34. Therefore, under the powers vested in me by Section 126(3)(c) of the Act, I hereby impose a total penalty of **Rs. 2,200,000/- (Rupees Two Million and Two Hundred Thousand Only)** on the Acquirers, reflecting the gravity of the established non-compliance while acknowledging their commitment to rectifying the situation:

S. No.	Name of the Acquirer(s)	Amount of Penalty (in Rs.)
1.	Mr. Ali Shahzad	200,000
2.	Mr. Kamran Sharif	200,000
3.	Mr. Muhammad Mubasil Khan Niazi	200,000
4.	Mrs. Mahnoor Khawaja	200,000
5.	Mr. Muhammad Waleed	200,000
6.	Mr. Tauseef Ul Rehman	200,000
7.	Mr. Ameer Hamza Khan	200,000
8.	Mr. Muhammad Shahzad Habib	400,000
9.	Mrs. Bushra Shahzad	400,000
	Total	2,200,000

35. Further, I, in terms of powers conferred upon me under Section 125 of the Act, hereby, direct the Acquirers to:

- initiate the process of mandatory public offer in terms of Section 111 of the Act and the relevant provisions of the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 (**Takeover Regulations**) including but not limited to the appointment of MTO, making a Public Announcement of Intention and relevant disclosure requirements



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within 30 days of the issuance of this order and adhere to the timelines provided in the relevant regulatory framework of Takeover Regulations and the Act.

- submit particulars of Ultimate Beneficial Owner (UBO) in terms of Section 123A of the Companies Act, 2017 read with Regulation 48 of the Companies Regulations, 2024 (**the Companies Regulations**) within 30 days of the issuance of this order. In this context, the Acquirer shall ensure submission of Form 17 and Form 18 (as the case maybe) to the Target Company along with entry of particulars in the register of ultimate beneficial owners in terms of sub-regulation 4 of Regulation 48 of the Companies Regulations. Further, the Acquirer shall also ensure submission of Form 19 to the Registrar by the Target Company in this regard.

36. I have also noted the submissions of the Representative concerning the following matters in letter dated August 19, 2024 which primarily pertains to Insurance Ordinance, 2000 read with allied Rules and Regulations:

- Conversion of physical shares into electronic form within one week.
- Consolidation of electronic shares into a single CDC account within one week.
- Blocking of CDC account within one week.
- Election of Mr. Muhammad Shahzad Habib and Mrs. Bushra Shahzad on the Board of the Target Company.
- Resumption of underwriting of new insurance business and revival of the Target Company.

The above-mentioned matters are referred to Insurance Division of the Commission for actions as deemed appropriate at their end.

37. The Acquirers are hereby directed to deposit the aforementioned fine in the designated Bank Account maintained in the name of the Securities and Exchange Commission of Pakistan with MCB Bank Limited within thirty (30) days of the date of this Order and furnish receipted voucher evidencing payment of the same.

38. This Order is issued without prejudice to any other action that the Commission may initiate against the Acquirers in accordance with the law(s) on matter subsequently investigated or otherwise brought to the knowledge of the Commission.

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

Announced:
August 23, 2024
Islamabad