



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

Mr. Muhammad Hameed

(Acquirer of M/s Service Industries Textiles Limited)

Number and date of Show Cause Notice	2(455)SMD/Adj-1/2024-191 dated April 19, 2024
Date(s) of Hearing:	June 24, 2024
Hearing(s) attended by:	Mr. Usman Khalid, Company Secretary, M/s Service Industries Textiles Limited (Authorized Representative)

ORDER

Under Regulation 4(1) of the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 read with Section 126(3)(c) of the Securities Act, 2015

This Order shall dispose of the proceedings initiated through the Show Cause Notice No. 2(455)SMD/Adj-1/2024-191 dated April 19, 2024 (the "SCN") against Mr. Muhammad Hameed (hereinafter referred to as the "Acquirer" or the "Respondent") for his alleged failure to file the requisite disclosure after acquiring shares pursuant to Section 109(1)(d) of the Securities Act, 2015 (the "Act"), in contravention of the requirements of Section 109(2) of the Act read with Regulation 4(1) of the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 (the "Regulations") under the penal provisions of Section 126(3)(c) of the Act.

2. Brief facts of the case are summarized as below:

- M/s Service Industries Textiles Limited (the "Target Company") made an announcement dated January 18, 2024 through Pakistan Unified Corporate Action Reporting System (PUCARS) of M/s Pakistan Stock Exchange Limited (PSX), disclosing that the Acquirer/Respondent had acquired an aggregate of 2,149,452 (15.59%) voting shares of the Target Company on January 17, 2024 via inheritance from his late father namely Mr. Ijaz Hameed.
- The details of shareholding of the Acquirer pre and post-acquisition of shares via inheritance are tabulated below for reference purposes:

Description	Number of Shares	Percentage of Shareholding
Shareholding of the Acquirer as of June 30, 2023, as per the pattern of shareholding disclosed under the annual audited financial statements of the Target Company for the year ended June 30, 2023	2,411,380	17.49%



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I Adjudication Division

Continuation sheet – 1 –

Shares acquired via inheritance on January 17, 2024 (Physical) from late Mr. Ijaz Hameed (Father)	285,816	2.07%
Shares acquired via inheritance on January 17, 2024 (CDC) from late Mr. Ijaz Hameed (Father)	1,863,636	13.52%
Total shares acquired via inheritance on January 17, 2024	2,149,452	15.59%
Total Shareholding of the Acquirer subsequent to acquisition of shares via inheritance	4,560,832	33.08%

- c. In terms of Section 109(1)(d) of the Act, the provisions of Part IX of the Act (*titled "Takeovers"*) are not applicable to an acquisition of voting shares by succession or inheritance. However, Section 109(2) of the Act stipulates that after an acquirer acquires voting shares pursuant to Section 109(1) of the Act, the acquirer shall make a disclosure of the acquisition in the prescribed manner. Accordingly, in terms of Regulation 4(1) of the Regulations, the Acquirer was required to make a disclosure in respect of the above-mentioned acquisition of voting shares (as acquired via inheritance on January 17, 2024), within two (02) working days of such acquisition, to the Target Company, the securities exchange and the Securities and Exchange Commission of Pakistan (the "**Commission**") on the prescribed Schedule-II to the Regulations.
- d. However, the record maintained by the Commission revealed that the Respondent reportedly failed to file the aforesaid requisite disclosure on Schedule-II. The relevant department of the Commission vide letter dated March 08, 2024 requested clarification from the Respondent regarding its afore-referred non-compliance vis-à-vis the requirements of Section 109(2) of the Act read with Regulation 4(1) of the Regulations. In response, the Company Secretary of the Target Company vide letter dated March 14, 2024 submitted on behalf of the Respondent that Section 109(1) of the Act exempts the questioned transaction, and reiterated that timely disclosures to PSX under the applicable requirements of PSX Rule Book have been made in this respect.
- e. Section 109(2) of the Act and Regulation 4(1) of the Regulations explicitly required the Acquirer to make mandatory disclosure on Schedule-II after acquiring shares pursuant to Section 109(1) of the Act.
3. Considering that the requisite disclosure was *prima facie* not made subsequent to acquisition of voting shares by way of inheritance under Section 109(1)(d) of the Act, a Show Cause Notice dated April 19, 2024 was served upon the Respondent for alleged contravention of Section 109(2) of the Act read with Regulation 4(1) of the Regulations read with the penal provisions of Section 126(3)(c) of the Act.
4. The SCN, however, returned undelivered from the available residential address of the Respondent. Subsequently, the SCN was shared by the Commission vide email dated April 30, 2024 with the Target Company on its available email address, with a request to disseminate the same to the Respondent.



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I Adjudication Division

Continuation sheet – 2 –

However, no response was received from the Respondent. In order to meet the ends of justice and provide an opportunity of being heard to the Respondent, a hearing was thereafter scheduled vide hearing notice dated June 11, 2024 for June 24, 2024, and the hearing notice along with SCN was also delivered to the registered office address of the Target Company with an instruction to ensure dissemination of the same to the Respondent.

5. Subsequently, the Respondent submitted his response to the SCN vide letter dated June 14, 2024 (received with the Commission on June 20, 2024), the relevant extracts of which are reproduced below:

"This refers to your office letter No. 2(455) SMD/Adj-1/2024 dated June 11, 2024 for the subject matter cited above, I want to bring into your kind attention that the said show cause notice dated April 19, 2024 was not received by me on my registered address as I was in the process of changing my residence. Had I received the show cause notice the due reply and compliance would have been made. At the outset it is stated that as mentioned in your letter and already announced through PUCAR, after the sad dismissal of my father, I have inherited 2,149,452 shares of Service Industries Textiles Limited ("Company") from my late father i.e. Mr. Ijaz Hameed. In this regard, I wish to highlight the following:

1. Upon inheritance I duly informed the Securities & Exchange Commission of Pakistan (SECP) by submitting requisite statutory form detailing all the required details.

2. Due disclosure on PUCAR was also given to make appropriate announcement for the general public and PSX.

3. It was my understanding that as 109(1)(d) does not apply in case of acquisition of voting shares by succession or inheritance no further reporting was required to be done. The very fact was overlooked due to misinterpretation or lack of understanding regarding disclosure under Regulations 4(1) of The Listed Companies (Substantial Acquisition of Voting Shares and Takeover) Regulations, 2017 ("Regulations") and for this I tender sincere apology for such lapse.

4. This was a mere overlook and I had no mala fide intention as all information was already announced and made public through reporting to SECP and PSX...Further, it is pertinent to mention here that I have not concealed any information regarding this transaction as majority of the information which is required to be submitted in Schedule II of the Regulations is already available with SECP, PSX and Company and this missed disclosure has not caused any loss to any relevant stakeholder nor any was concealed by me.

Now upon understanding the requirement, I have duly submitted the required Schedule II... In light of above facts, I request you to kindly condone off the show cause notice and I assure you that such lapse will not happen in future. I do hope that you will take a lenient view in this respect..."

6. The hearing scheduled for June 24, 2024 was attended by Mr. Usman Khalid, Company Secretary



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I Adjudication Division

Continuation sheet – 3 –

of the Target Company being the Authorized Representative of the Respondent. During the course of hearing, the Representative was inquired regarding the contraventions of the law as alleged in the SCN. The Representative reiterated the written submissions made in response to the SCN, admitted the default on part of the Respondent, and requested for condonation of the non-compliance & a lenient view thereupon. The Representative submitted that the requisite disclosure was inadvertently not filed due to misunderstanding/misinterpretation of the law. The Representative also informed that the SCN was not received by the Respondent until June 13, 2024 due to relocation/shifting of his residence. Upon being inquired about subsequent compliance of Section 109(2) of the Act read with Regulation 4(1) of the Regulations, the Representative confirmed that the requisite compliance has duly been made by the Respondent.

7. I have gone through the relevant provisions of Section 109(2) of the Act and Regulation 4(1) of the Regulations and submissions made by the Respondent in his written response as well as during the course of hearing through his Authorized Representative. I have also perused Section 126(3)(c) of the Act, which stipulates penal provisions for contravention of the afore-referred provision of law. I have noted the following pertinent aspects vis-à-vis the submissions made by the Respondent:

- a. Section 109(1) of the Act enumerates the transactions acquisitions pursuant to which are essentially exempted from the provisions of the Part IX (Takeovers) of the Act. Nevertheless, Section 109(2) of the Act explicitly stipulates that after the acquirer acquires voting shares pursuant to sub-section (1) of Section 109, the acquirer shall make a disclosure of the acquisition in the prescribed manner i.e. on the Schedule-II specified under Regulation 4(1) of the Regulations. Thus, the aforesaid reporting requirement is mandatorily and unequivocally required to be fulfilled even in relation to the share acquisition transactions exempted under Section 109(1). Hence, the initial argument taken by the Respondent in response to the clarification sought by the relevant department of the Commission on March 08, 2024 that no such requirement is applicable on the questioned transaction, does not hold admissible merit.
- b. The Schedule-II was required to be filed in terms of Regulation 4(1) of the Regulations within two (02) working days from the date of share acquisition transaction via inheritance (i.e. January 17, 2024) by January 19, 2024. However, the Respondent has filed the same on June 14, 2024.
- c. Be that as it may, the Respondent through his written response to the SCN and during the course of hearing held on June 24, 2024 has admitted the inadvertent default on his part, and has requested for condonation of the same particularly considering that the compliance lest with delay has subsequently been made by the Respondent by way of filing of requisite Schedule-II on June 14, 2024. The Respondent has also shown his commitment to ensure due compliance of all applicable laws in the future.

Conclusion:

It is evident from the above that the questioned lapse on part of the Respondent in making the



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I Adjudication Division

Continuation sheet – 4 –

requisite disclosure & resultant non-compliance with Section 109(2) of the Act read with Regulation 4(1) of the Regulations by the Respondent was not willful and was, in fact, an inadvertent non-compliance that the Respondent has rectified subsequently.

8. In view of the above-stated facts, circumstances and submissions made by the Respondent, particularly the unintentional regulatory lapse as well as commitment for future compliance on part of the Respondent I, in exercise of the powers conferred upon me under Section 126(3)(c) of the Act, hereby conclude the instant proceedings without imposing any monetary penalty on the Respondent; however, the Respondent is hereby warned to ensure meticulous & timely compliance with all applicable laws including the Regulations & the Act in true letter and spirit in the future.

9. This Order is being issued without prejudice to any other action that the Commission may initiate against the Respondent and / or its management (including CEO of the Respondent) in accordance with the law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.

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

Announced:
July 4, 2024
Islamabad

