



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department- I

### Adjudication Division

**Before Shahzad Afzal Khan, Director/ HOD(Adjudication-I)**

*In the matter of*

**Sharmeen Foods (Pvt.) Limited**

Show Cause Notice No. and  
Issue Date

ID/Enf/Reliance/2024/097  
February 21, 2024

Date of Hearing:

April 23, 2024

Attended By:

Mr. Zeeshan Raza,  
Finance Manager  
(Authorised Representative)

### **ORDER**

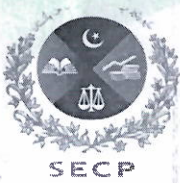
**Under Section 110(1) of the Securities Act, 2015 read with Regulation 4(2) of the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 and Section 126(3)(c) of the Securities Act, 2015**

This Order shall dispose of the proceedings initiated against **Sharmeen Foods (Pvt.) Limited (the Acquirer and/or the Respondent)** on account of alleged contraventions of Section 110(1) of the Securities Act, 2015 (**the Act**) read with Regulation 4(2) of the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 (**the Regulations**) vide Show-Cause Notice dated February 21, 2024 (**the SCN**).

2. The Respondent is registered under the provisions of the Companies Act, 2017. The main objects of the Company are to undertake the business of buyers, sellers, traders, importers, exporters, manufacturers, processors, commission agents (except managing agents), distributors, dealers and representatives in any legal form for all kinds of food and beverages.

3. As per Pattern of Shareholding disclosed in annual audited financial statements of Reliance Insurance Company Limited (**the Target Company**) for the year ended December 31, 2022 (**FY 2022**), the Acquirer was holding 6,187,178 voting shares, which constitutes 9.76% of the total outstanding voting shares of the Target Company i.e. 63,369,475 shares.

4. Reliance Insurance Company Limited, being a listed company (**the Target Company**) made announcement dated July 03, 2023 at Pakistan Stock Exchange (PSX) in terms of clause 5.6.1 (d) of the PSX Regulations disclosing that the Target Company has received FORM 1 under Section 101(1) of the Act from the Acquirer who became substantial shareholder of the Target Company by acquiring 6,714,586 in total voting shares of the Target Company.



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5. Since acquisition of 6,714,586 (10.09%) exceeds the threshold of 10 percent of total 66,537,949 voting shares of the Target Company, the Acquirer was required to disclose its shareholding pursuant to Section 110(1) of the Act and Regulation 4(2) of the Regulations, as prescribed under Schedule III of the Regulations to i) the Target Company; ii) the Securities Exchange and; iii) the Commission. within two (2) working days of such acquisition. However, it was observed that the requisite disclosure was not made by the Acquirer.

6. In view of the above, SCN was served on the Respondent, calling upon it to show cause as to why penalty as provided under Section 126(3)(c) of the Act may not be imposed for contravening the aforesaid provisions of the law.

7. Relevant provisions of the law are reproduced as under:

### Section 110(1) of the Securities Act, 2015:

**Acquisition of more than ten per cent voting shares of a company.** (1) Any acquirer who acquires voting shares, which, taken together with voting shares, if any, held by the acquirer, would entitle the acquirer to more than ten per cent voting shares in a listed company, shall disclose the aggregate of his shareholding in that company to the said company, the securities exchange on which the voting shares of the said company are listed and the Commission as provided in sub-section (2).

(2) The disclosure mentioned in sub-section (1) shall be made within two working days of (a) the receipt of intimation of allotment of voting shares; or (b) the acquisition of voting shares, as the case may be.

*Explanation. For the purposes of this section the expression "acquisition" shall include purchases confirmed by the TRE certificate holder of a stock exchange in accordance with applicable rules or regulations.*

### Regulation 4(2) of the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017:

#### **Mandatory Disclosures for transactions under section 109 and 110 of the Act:**

(2) An Acquirer, who Acquires voting shares beyond the threshold prescribed under sub section 1 of section 110 of the Act, shall within two working days of the Acquisition of shares make a disclosure of the acquisition to the target company, the Securities Exchange and the Commission containing the information prescribed in schedule III of the Regulations.

### Section 126(3) (c) of the Securities. Act, 2015:

#### **Penalties for non-compliance**

If any person contravenes or otherwise fails to comply with the provisions of this Part, the Commission may, if satisfied, after giving the person an opportunity of being heard, that the refusal, failure or contravention was willful, impose penalty which may extend to one hundred million rupees as may be specified in the order.

8. In response to the SCN, the Acquirer vide letter dated February 29, 2024 submitted its reply, the relevant extracts of which are reproduced as under:

(Quoted):

*We had already submitted our reply to your letter vide Letter # LCD/TO/325/2023-93 Dated: 17-Oct-2023 via TCS tracking # 306040007768 by post dated: 20-10-2023, the letter was addressed to Mr. Sabeel Ahmed, Deputy Director as we don't have any other contact*





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77%

information for this so that's why we had posted via TCS. For your convenience, we have enclosed the TCS post slip and the copy of our previous letter with this communication.

We would also like to inform you that we have disclosed our substantial acquisition of shares in Reliance Insurance Company Limited to the company itself on 23-06-2023 with Form 1 attached. We have also attached the copy of the email we sent to Reliance Insurance Company Limited for your reference.

Furthermore, we are now reporting any transaction done by our company in relation to Reliance Insurance Company Limited as per the SECP guidelines and submitting Form 2 to them. We are sending these reports via email to M/s Reliance Insurance Company Limited.

We would also like to request you to kindly provide us with more details about the SECP system and the reporting procedure, as we are not fully aware of them. It would be helpful if you could share with us the contact information of the person or department that we can communicate with regarding any transaction made by our company in regards to Reliance Insurance company limited.

We assure you that we did not intend to violate any rules or regulations of the SECP. We are committed to comply with all the requirements and cooperate with your department in resolving this matter."

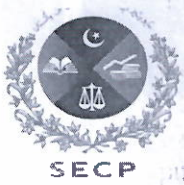
(Unquoted)

9. In order to provide the Respondent Company an opportunity of personal representation, hearing in the matter was fixed for April 23, 2024, which was attended via zoom meeting by Mr. Zeeshan Raza, Finance Manager of the as Authorized Representative of the Respondent (the **Authorised Representative**). During the hearing, the Authorised Representative was advised to submit the reasons for the alleged non-compliances, as narrated in the SCN. The Authorised Representative reiterated the submissions earlier made in the written reply of the Company.

10. I have examined the facts of the case in light of the applicable provisions of the law and the written as well as verbal submissions and arguments of the Respondent and its Authorised Representative. In this regard, an analysis of date-wise trades executed by the Acquirer in the shares of the Target Company from the period January 01, 2023 till June 8, 2023 is given as under:

Description/Date	Buy Qty	Sell Qty	Net Buy/ (Net Sell)	Cumulative Holding	%age
Shareholding of Sharmeen Foods (Pvt.) Limited as of December 31, 2022				6,187,178	9.76%
2023-01-03	4,500	500	4,000	6,191,178	9.77%
2023-01-13	-	500	- 500	6,190,678	9.77%
2023-03-07	-	500	- 500	6,190,178	9.77%
2023-03-08	-	500	-500	6,189,678	9.77%





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2023-03-09	-	500	- 500	6,189,178	9.77%
2023-03-31	23,500	4,500	19,000	6,208,178	9.80%
2023-04-28	10,000	500	9,500	6,217,678	9.34%
2023-05-08	-	3,000	-3,000	6,214,678	9.34%
2023-05-15	14,000	500	13,500	6,228,178	9.36%
2023-05-16	-	110,500	-110,500	6,117,678	9.19%
2023-05-22	69,500	500	69,000	6,186,678	9.30%
2023-05-25	-	500	-500	6,186,178	9.30%
2023-05-25 (credit of 5% bonus issue)			310,408	6,496,586	9.76%
2023-06-07	218,500	-	218,500	6,715,086	10.09%
2023-06-08	-	500	- 500	6,714,586	10.09%
Total Issued Voting Shares Prior to Bonus Issue	63,369,475				
Revised Issued Shares subsequent to 5% Bonus Issue	66,537,949				

11. It is evident from the above analysis that Acquirer crossed the threshold of 10% of total voting shares of the Target Company upon purchasing 218,500 voting shares on **June 07, 2023**. On the said date, **6,715,086** shares held by the Acquirer in aggregate constitutes **10.09%** of the total voting shares (**66,537,949** shares) in the Target Company. Therefore, I am of the considered view that pursuant to Section 110(1) of the Act read with Regulation 4(2) of the Regulations, the Acquirer was required to make the requisite disclosure for his acquisition on attaining the said percentage of shareholding, as prescribed under Schedule III of the Regulations. However, it was observed that no such disclosure was made by the Acquirer even after the same was informed by the relevant Department of the Commission vide letter dated November 03, 2023.

12. While explaining its position in the matter, the Respondent has contended that it had filed FORM I (Notice to the Company regarding his beneficial ownership under Section 101 of the Act) with the Target Company on June 23, 2023; however, it needs to be noted that submission of FORM I is not relevant to the instant case as the required disclosure in question is rather prescribed under Schedule III of the Regulations and the prescribed information as set out under Schedule III of the Regulations had to be furnished to i) the Target Company; ii) the Securities Exchange; and iii) the Commission within two (2) working days of such acquisition. The Respondent vide its written reply dated February 29, 2024 has admitted that they are not aware of reporting procedures, in this regard. Therefore, it is established that the Acquirer has failed to comply the said requirements of the law.

13. In view of the aforesaid established contravention of the requirements of Section 110(1) of the Act read with Regulation 4(2) of the Regulations and Schedule III of the Regulations, the Respondent is liable to punitive action under Section 126(3)(c) of the Act. Therefore, in exercise of the powers conferred upon me under Section 126(3)(c) of the Act and other enabling provisions of the law, I hereby impose a penalty of **Rs. 100,000/- (Rupees One Hundred Thousand Only)** on the Respondent.



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the Respondent. The Respondent is also advised to make appropriate disclosure in accordance with the requirements of Section 110(1) of the Act read with Regulation 4(2) of the Regulations and Schedule III of the Regulations without any further delay.

14. The Respondent is directed to deposit the aforesaid penalty in the account of the Commission being maintained with the designated branches of MCB Bank Limited or United Bank Limited, within a period of thirty (30) days of the announcement of this Order and furnish original receipted challan to this office forthwith.

15. This Order is issued without prejudice to any other action that the Commission may initiate against the Respondent and others 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:**

May 16, 2023  
Islamabad