



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division
Market Supervision and Registration Department

Before the Director/HOD (MSRD)

In the matter of Show Cause Notice issued under Section 224(4) of the Companies Ordinance, 1984
to Dawood Hercules Corporation Limited
a beneficial owner of more than ten percent equity security of Engro Corporation Limited

Date of Hearing

September 03, 2013

Present at Hearing:

Representing the Respondent:

*Mr. Shafiq Ahmed,
Company Secretary,
Dawood Hercules Corporation Limited*

Assisting the Director/HOD (MSRD):

*Mr. Muhammad Farooq,
Joint Director (SMD)*

Order

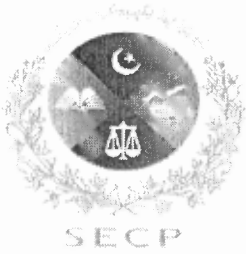
This order will dispose of the proceedings initiated under Section 224(4) of the Companies Ordinance, 1984 (“**Ordinance**”) by the Securities and Exchange Commission of Pakistan (“**Commission**”) through Show Cause Notice No. S.M(B.O)C.O.222/14(104-A)03 dated 24/07/2013 (“**Notice**”) issued to Dawood Hercules Corporation Limited (“**Respondent**”), a beneficial owner of more than ten percent equity securities of Engro Corporation Limited (“**Issuer Company**”).

2. The facts of the matter leading up to aforesaid Notice are that the Issuer Company is a public listed company and the Respondent being a beneficial owner of more than ten percent of its ordinary shares was required to file returns of beneficial ownership on Form 32, within the period stipulated under Section 222 of the Ordinance. However, it failed to file Form 32 within the stipulated time period, for a change taken place in its beneficial ownership on 30/03/2012 which attracted penal provisions contain in Section 224(4) of the Ordinance.

3. Section 222(2)(c) of the Ordinance stipulates the period within which the Form 32 is required to be submitted as under:-

“where there is any change in the position or interest as aforesaid including a change in the beneficial ownership of any equity, security, within fifteen days of such change”.

4. The Respondent filed a return of beneficial ownership on Form 32 with this Commission on 22/02/2013, showing therein receipt of 39,012,555 bonus shares on 30/03/2012. The said change in beneficial ownership was reported to the Commission with delay of 314 days in contravention of Section 222(2)(c) of the Ordinance, which *prima facie* attracts penal provisions contain in Section 224(4) of the Ordinance, which provides as under:-



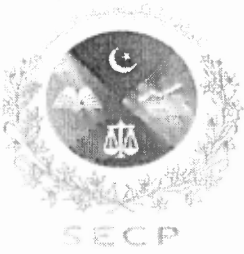
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“Whoever knowingly and wilfully contravenes or otherwise fails to comply with any provision of section 222, section 223 or section 224 shall be liable to a fine which may extend to thirty thousand rupees and in the case of a continuing contravention, non-compliance or default to a further fine which may extend to one thousand rupees for every day after the first during which such contravention, non-compliance or default continues”.

5. The Commission took cognizance of the aforesaid default and issued Notice to the Respondent under Section 224(4) of the Ordinance, calling upon it to explain through written reply along with documentary evidence, if any as to why action may not be taken against it pursuant to Section 224(4) of the Ordinance, for aforesaid contravention of Section 222 of the Ordinance. Mr. Shafiq Ahmed, Company Secretary of the Respondent (“**Authorized Representative**”), filed written reply to the Notice vide letter dated 06/8/2013.

6. Furthermore, in order to provide an opportunity of being heard in person, hearing in the matter was fixed for 29/08/2013 at the Commission’s Head Office, Islamabad, which on the request of Chief Executive Officer of the Respondent was adjourned and rescheduled for 03/09/2013. On the said date, the Authorized Representative appeared on behalf of the Respondent. The submissions made in writing as well as verbally on behalf of the Respondent by the Authorized Representative be summarized as under:-

- a. *The Respondent was holding 130,778,889 shares of the Issuer Company as on 31/12/2011 and on account of said holding received 39,012,555 shares as bonus on 30/03/2012.*
- b. *Meanwhile, the then Company Secretary of the Respondent retired from his service on 30/03/2012 and newly appointed Company Secretary assumed the charge on 01/04/2012. Due to this change in the office of the Company Secretary, the filing of the Form 32 for the receipt of the aforesaid bonus shares was missed out.*
- c. *Owing to annual review carried out by the Respondent for the filing during the year 2012, it transpired that the return for the above mentioned receipt of bonus shares has not been filed.*
- d. *Upon identification of mistake, the Respondent proceeded to file the Form 32 on its own.*
- e. *The Authorized Representative assured that the Respondent will comply with the requirement of Section 222 of the Ordinance within the prescribed time period in future.*



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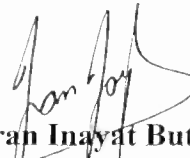
7. I have considered the aforesaid submissions made by the Respondent. The Respondent has admitted the default of late filing of the return of beneficial ownership with the contention that it took place due to change in the office of the Company Secretary of the Issuer Company. The available record suggests that the under reference change in beneficial ownership took place on 30/03/2012 and the process of change in the office of the Company Secretary completed on 01/04/2012. Thus, the stipulated time for filing of the Form 32 exhausted after the completion of process of change in the office of Company Secretary. Furthermore, in response to query, the Authorized Representative stated that the Form for said bonus shares could also not be filed with the Company Registration Office, Karachi within the stipulated time limit. Thus, the Respondent has neither reported the change of 39 million shares in beneficial ownership to the Commission nor the respective Company Registration Office, within the stipulated time limit.

8. Hence, in the light of aforesaid discussion, I am of the view that the Respondent has committed the violation. However, it has filed the return on its own motion. Taking a lenient view of the default, in exercise of powers conferred under Section 224 (4) of the Ordinance, I hereby impose a fine of Rs. 25,000 (twenty five thousand rupees only) on the Respondent and no further fine for continuous default is imposed.

9. The Respondent is directed to deposit the fine in the account of the Commission being maintained in the designated branches of MCB Bank Limited, within 30 days of the date of this order and furnish Original Deposit Challan to this office.

10. This Order is issued without prejudice to any other action that the Commission/Registrar may initiate against the Respondent in accordance with the law on matter subsequently investigated or brought to the Notice of the Commission




(Imran Inayat Butt)
Director/HOD (MSRD)

Islamabad.

Announced on October 22, 2013