



Through Courier

Before The Director / HOD (MSCID)

In the matter of Show Cause Notice issued to

IBL Health Care Limited

*Date of Hearing:*

*November 6, 2012*

*Present at the Hearing:*

*Representing IBL Health Care Limited:*

*Mr. Zubair Palwala  
Group Director – Finance*

*Representing Karachi Stock Exchange Limited*

*Mr. Muhammad Ghufuran  
Deputy General Manager*

*Assisting the Director/HOD (MSCID)*

*Ms. Najia Ubaid  
Deputy Director (MSCID)*

**ORDER**

1. This order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1 (5)IBL HCL/MSW/SMD/2012/01 dated October 15, 2012 ("SCN") issued to IBL Health Care Limited ("Company"), by the Securities and Exchange Commission of Pakistan ("Commission") under Section 22 of the Securities and Exchange Ordinance, 1969 ("Ordinance") read with Rule 8 of the Brokers and Agents Registration Rules, 2001 ("Brokers Rules").

2. The brief facts of the case are that the Company is a public limited company listed on the Karachi Stock Exchange Limited ("KSE"). The meeting of the Board of Directors ("BOD") of the Company was held on September 20, 2012 to consider the Annual Accounts for the year ended on June 30, 2012. After the board meeting on September 20, 2012, the Company communicated the financial results to the KSE at 2:47 pm which included the Cash Dividend of Rs. 1 per share and the Stock Dividend of 25% for the financial year ended on June 30, 2012. ("First Announcement").



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
Securities Market Division  
(Market Supervision & Capital Issues Department)

3. However, on September 24, 2012, the Company communicated revised announcement for the year ended on June 30, 2012 to the KSE at 9:29 am ("Second Announcement"). The Second Announcement comprised of Cash Dividend of Rs. 2.5 per share and no Stock Dividend instead of Cash Dividend of Rs. 1 per share and Stock Dividend of 25% announced on September 20, 2012.

4. Perusal of the trading record of the Company at KSE revealed volatility, both in terms of the share price and volume, on the dates of First and Second Announcement. As per trading record, a total of 132,500 shares of the Company were traded during September 1, 2012 to September 20, 2012. On the date of First Announcement the share price of the Company closed at the upper circuit breaker. On the date of Second Announcement during the first five minutes of the trading session i.e. between 9:30 to 9:35 am, a total of 177,500 shares of the Company were traded, which is more than the total volume of shares traded during the period of September 1 to September 20, 2012. Moreover, it constitutes 44% of the total traded volume of 404,000 shares on that day. The share price on the date of Second Announcement closed at the lower circuit breaker.

5. Considering the above, the Commission served the SCN dated October 15, 2012 and required the Company to submit its written reply within seven days of the date of SCN. The Company was further required to appear before the undersigned on October 30, 2012. The Company submitted its written response vide letter dated October 17, 2012. The Company vide letter dated October 25, 2012 requested for extension in the date of hearing. Acceding to the Company's request the hearing was rescheduled for November 6, 2012. KSE was also requested to attend the hearing on the scheduled date.

6. The Company in its response dated October 17, 2012 stated:

*"Please refer to your letter No.....We would like to mention that board of Directors in its meeting dated September 20, 2012 considered it appropriated for the shareholders to issue cash as well as the stock dividend; however the decision relating to stock dividend was not in line with rule 6 of the Companies (Issue of Capital) Rules, 1996.*



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
Securities Market Division  
(Market Supervision & Capital Issues Department)

*The board revisited the matter immediately and considered maintaining the same payout i.e. 35% in total, however due to stiff cash position of the Company, the board decided to limit it to cash dividend of 25% only. The said decision was taken on the same day but unfortunately after the working hours of the Karachi Stock Exchange (KSE). The intimation could not be sent to KSE before September 22, 2012 because of the public holiday on September 21, 2012.*

*KSE vide its letter No.KSE/C-890-A-6937 dated September 24, 2012 (copy enclosed) called our explanation regarding the above matter, which was replied vide our letter dated September 25, 2012 (copy enclosed). Further, KSE vide its letter No. KSE/C-890-A-7046 dated September 27, 2012 (copy enclosed) requiring us to appear in person for further clarification.*

*On October 8, 2012 the Group Director Finance and the Chief Financial Officer attended the hearing and it was followed by order of the KSE dated October 12, 2012 (copy enclosed). We assure you that there was no intention to deceive the shareholders was behind the revision of the decision; we therefore would like to request your kind office no to take any action against the Company. "*

7. The Company in its response date October 17, 2012 provided copy of the order dated October 12, 2012 issued by the KSE in this context imposing penalty of Rs. 100,000 each on the Chief Executive Office and Chief Financial Officer of the Company.

8. The hearing in the matter was held on November 6, 2012 at Commission's Islamabad Office which was attended by Mr. Zubair Palwala, the Group Director Finance ("**Representative of the Company**") on behalf of the Company and by Mr. Muhammad Ghufan ("**Representative of KSE**") on behalf of the KSE.

9. The Representative of the Company during the course of hearing reiterated the facts communicated to the Commission vide letter dated October 17, 2012 and accepted that it was a mistake on part of the Company and should not at first place taken place. However, because of error, which by no means was intentional the intangible assets were included in the figure of free reserves as a result of which Stock Dividend was announced on the date of First Announcement. The Representative of the Company further added that the Company



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
Securities Market Division  
(Market Supervision & Capital Issues Department)

belongs to a very well established and reputable group, International Brands (Private) Limited, and five companies of the group are listed on the KSE. With such repute the Company cannot even think of doing such activity with malafide intent.

10. The Representative of the Company admitted the mistake and asserted that the violations of the provisions of the Listing Regulations of the KSE have occurred inadvertently by the Company. The Representative of the Company was communicated during the hearing that it has to attach a certificate from the auditors along with the stock dividend announcement in accordance to the KSE Listing Regulations, which it did not provide for on the date of First Announcement. In response the Representative of the Company communicated that if the Company would have obtained the letter, this violation would have been raised by the auditors and the error could not have taken place.

11. During the hearing, the Representative of the Company was apprised that considerable volatility was also observed in the shares price of the scrip on September 24, 2012. The trading pattern exhibited relatively unusual movement compared with recent historical trading pattern, both in terms of the share price and trading volume. The closing share price on First Announcement date was Rs. 26.38 but the first trade at KSE was executed at Rs. 27.69 on the date of Second Announcement. During the first five minutes on the day of Second Announcement 177,500 shares were traded at an average price of Rs. 27.68 out of the total days' volume of 404,000 shares, which constitutes 44% of the days' traded volume. After the first five minutes on the date of Second Announcement, the share price declined immediately to Rs. 26.69 and continued dropping to Rs. 25.18, at which price the share closed on that day.

12. The Representative of the Company added that KSE had also called them on October 8, 2012 to appear before KSE and explain their submission. The Representative further added that it has explained all the above to the KSE as well and it has imposed a penalty of Rs. 100,000 each on the Chief Executive Officer and Chief Financial Officer of the Company. The Representative of the Company prayed that keeping in view the aforementioned



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
Securities Market Division  
(Market Supervision & Capital Issues Department)

assertions, the Commission may take a lenient view in this matter because the said violation was result of an inadvertent act and the Company did not have any fraudulent intentions. The Representative of the Company was further enquired about the internal actions initiated by the Company in this context. The Representative of the Company apprised that the Company has taken the requisite action in this regard.

13. The Representative of the KSE, during the course of hearing, was enquired about any such incident/event in the history of the KSE where in payout announcement has been subsequently revised. The Representative of the KSE communicated that no such incident/event is available on record and considering the same and intensity of the violation, the KSE has penalized the Chief Executive Officer and Chief Financial Officer of the Company vide its Order dated October 12, 2012.

14. Considering the contentions made in written reply of the Company, and arguments and averments made by the Representative of the Company during the course of hearing, it is established that the payout announced by the Company in the form of Stock Dividend and Cash Dividend were revised and the payout announced on September 24, 2012 did not include the Stock Dividend of 25% that was announced in the First Announcement and volatility in the shares price was observed.

15. The Company is one of the recognized institution in the health sector of Pakistan and belongs to a well known group. Accordingly the Company is expected to be conversant and fully complied with the regulatory requirements. In any event, it is expected from any institute of Company's repute that any disclosure of price sensitive information should be equitable and not in a manner that compromises the investors' confidence or the fairness and transparency of the market. The volatility in the share price resulting from the withdrawal of stock dividend by the Company has intensified the gravity of the violation as it prejudices the interest of the investors at large and has been damaging to the development of fair and transparent market. It is pertinent to mention here that it was the fiduciary



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
Securities Market Division  
(Market Supervision & Capital Issues Department)

responsibility of the BOD to ensure that they have complied with all the laws, rules and regulations before the announcement of financial results on September 20, 2012.

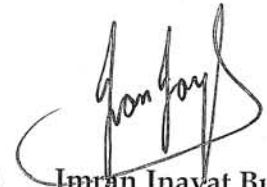
16. After a detailed and thorough perusal of the facts, evidence/information available on record, contentions and averments made by the Company in its response dated October 17, 2012, and arguments submitted by the Representative of the Company during the course of hearing, it is established that the Company has contravened the provisions of the Listing Regulations of KSE and requirement stated in the Correspondence Manual of the KSE, made pursuant of the Listing Regulations.

17. In the light of the above, in exercise of the powers under Section 22 of the Ordinance, I hereby impose on the Company a penalty of Rs. 300,000 (Rupees Three Hundred Thousand Only). I further direct the Company to ensure that care and caution be exercised while announcing any price sensitive information and to ensure that full compliance be made of all rules, regulations and directives of the Commission in the future for avoiding any punitive action under the law.

18. The matter is disposed of in the above manner and the Company is directed to deposit the fine in the account of the Commission being maintained in the designated branches of MCB Bank Limited not later than thirty (30) days from the date of this Order and furnish the copy of the deposit challan to the undersigned.

19. This Order is issued without prejudice to any other action that the Commission may initiate against the Company in accordance with law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.



  
**Imran Inayat Butt**  
Director / HOD (MSCI)

Announced on November 26, 2012  
Islamabad.