



No. SC/M/PRDD/Unicap/2016-137
Securities and Exchange Commission of Pakistan
Specialized Companies Division
Policy, Regulation and Development Department
(Modaraba Wing)

Before Registrar Modaraba

In the matter of

Unicap Modaraba

Managed by Map Out Management Company (Pvt.) Limited

Show Cause Notice Number: No. SC/M/PRDD/Unicap/2015-201
Dated: July 29, 2015
Date of hearing: September 8, 2015
Present: Mr. Chaudhry Iftikhar Nazir, Syed Ammar Hussain Shah and
Mr. Mumtaz H. Chaudhry, authorized representatives on
behalf of Mr. Junaid Iqbal and Mr. Muhammad Iqtidar
Ahmed, Directors.

**Order under sections 20 of the Modaraba Companies and Modaraba
(Floatation and Control) Ordinance, 1980**

This Order shall dispose of the proceedings initiated against Map Out Management Company (Pvt.) Limited (**the "Map Out"**) and its following directors including Chief Executive Officer (**the "respondents"**) through a Show Cause Notice (**the "SCN"**) dated July 29, 2015 issued under Section 20 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (**the "Ordinance"**).

1	Mr. Kamran Shehzad, Chief Executive
2	Mr. Junaid Iqbal, Director
3.	Mr. Muhammad Iqtidar Ahmad, Director

2. The facts of the matter leading up to aforesaid SCN are as follows:
- (i) The Registrar Modaraba vide Order dated November 27, 2014 (**the "Order"**) transferred the management rights of Unicap Modaraba (**the "Modaraba"**) from Al-Zamin Modaraba Management (Pvt.) Limited to Map Out, subject to fulfilment of



terms and conditions mentioned therein. Map Out took over the management and control of the Modaraba with effect from December 12, 2014.

- (ii) In terms of condition No. (i) and (vi) of the Order, Map Out was given the following timeframe for injecting equity and arrangement of musharakah financing for the Modaraba:

Period (from the date of takeover)	Equity Investment	Musharakah Financing	Total
Year 1			
Within 2 months (up to Feb 12, 2015)	50 million	50 million	100 million
By the end of 2 nd half (up to Jun 12, 2015)	50 million	100 million	150 million
Year 2			
By the end of 1 st half (up to Jan 12, 2016)	50 million	50 million	100 million
By the end of 2 nd half (up to Jun 12, 2016)	50 million	50 million	100 million
Total	200 million	250 million	450 million

- (iii) However, Map Out failed to inject first tranche of Rs. 100 million comprising of Rs. 50 million as equity investment and Rs. 50 million as musharakah finance up to February 12, 2015 in accordance with the Order. Subsequently, Map Out vide letters dated March 13, 2015, March 18, 2015 and March 19, 2015 sought relaxation for injection of equity and musharakah financing in the Modaraba up to June 30, 2015 which was acceded to by this office vide letter dated April 14, 2015.
- (iv) Despite the relaxation granted by this office, Map Out once again failed to inject the requisite funds within the extended time i.e. up to June 30, 2015. Instead, Map Out vide letter dated July 10, 2015 proposed to transfer an immovable property to Unicap Modaraba valuing Rs. 65 million and issuance of Modaraba certificates (other than cash) against this property, treating it as first tranche of investment for the issuance of modaraba certificates of the Modaraba to Map Out. The said proposal was totally in negation of the commitment made by Map Out for injection of equity in cash since it could not bring any liquidity into the Modaraba for restoration of its business and investment operations.
- (v) It was also observed that the chief executive and Map Out failed to honor their commitment to arrange funds in the form of cash even after the lapse of 29 days of the extended timeline of June 30, 2015. Furthermore, the chief executive of Map Out was not taking any part in the management of the Modaraba, inter alia, evident from the fact that all the correspondence with this office was being made by a director namely; Mr. Junaid Iqbal since the transfer of the management of the Modaraba to Map Out.



(vi) This failure on the part of Map Out raised doubts on its commitment and ability to arrange and inject funds in the Modaraba as per business plan to revive the Modaraba as a viable financial institution.

(vii) Map Out failed to file quarterly status of the cases under litigation/recovery to the Registrar Modaraba within 7 days from the close of each quarter since its takeover which is a non-compliance of condition No. (xii) of the Order.

3. In view of the above, the SCN dated July 29, 2015 was issued to the respondents. In response to the SCN, the respondents Mr. Junaid Iqbal, Director and Muhammad Iqtidar Ahmad submitted reply on behalf of the Map Out vide letter dated August 04, 2015. A summary of submissions made by the respondents is given below:

(i) Map Out never committed to inject first tranche of funds within two months of takeover of the Modaraba. Instead, it requested six months' time period to comply with the said condition which was acceded to by the Registrar.

(ii) Map Out sought timely permission for the issuance of right modaraba certificates at discount of Rs. 5/- per certificate for the purpose of injection of equity but the said permission was never granted before June 30, 2015.

(iii) Map Out never committed to inject equity in the shape of cash only. Therefore, its proposal for injection of equity by virtue of transfer of property worth Rs. 65 million is according to the law and shows *bonafide* intentions of the respondents. Moreover, the proposed transfer of immovable property and issuance of right modaraba certificates other than cash shall bring liquidity into Modaraba indirectly as it will improve the asset base from zero to Rs. 65 million.

(iv) Map Out never failed to honor its commitment to inject funds in the Modaraba instead it suggested a better arrangement for injection of funds.

(v) Condition (xix) of the Order may be withdrawn so that the local and foreign investors remain confident that the loan and musharakah financing extended by them to Map Out for injection into Modaraba shall remain secured.

4. Mr. Kamran Shehzad, Chief Executive responded the SCN vide letter dated August 6, 2015 and made the following submissions:

(i) The sponsors of Map Out never consulted or approached him for making any request to the Securities and Exchange Commission of Pakistan (SECP) in the matter of injection of equity in the Modaraba.



- (ii) The injection of equity was the responsibility of the sponsors and per business plan submitted to the SECP and the chief executive can only pursue them to honor their commitments.
- (iii) Since he was not allowed/consulted/involved being SECP's approved chief executive in any affairs of the Modaraba, no violation has been committed by him.

5. I have examined the submissions made by Map Out in response to SCN as under:

- (i) The reply of Map Out made at sub-para (i) of paragraph 3 above is not correct as Map Out never objected to the timeline till expiry of first deadline for injection of funds in February, 2015. Furthermore, as admitted, on the request of Map Out, six months' extension was granted to comply with the said condition but Map Out failed to inject funds even in the extended period.
- (ii) The submission of Map Out made at sub-para (ii) of paragraph 3 does not hold ground as Map Out failed to arrange funds for injection of the requisite equity and musharakah financing in the Modaraba in terms of condition No. (i) of the Order. Hence, permission for the issuance of right modaraba certificates at discount has never been an obstacle in arranging funds by Map Out as contended.
- (iii) The contention of Map Out mentioned in sub-para (iii) and (iv) of paragraph 3 above is not based on fact. It is pertinent to mention here that on the basis of the proposed arrangement of funds from the foreign and local investors for injection in the Modaraba and subsequent agreements executed by Map Out with them, the management of the Modaraba was transferred to Map Out. The proposal for injection of an immovable property in the Modaraba valuing Rs. 65 million (as claimed) and issuance of Modaraba certificates against (other than cash) was, thus declined vide letter dated April 14, 2015 as it could not bring any liquidity into Unicap, necessary for restoration of its business operations.
- (iv) The response of Map Out mentioned in sub-para (v) of paragraph 3 above is not tenable. Condition No. (xix) of the Order states that "in the event Map Out does not fulfill the conditions relating to equity and musharakah investment within the timeframe given above, this order would be cancelled and the management of the Modaraba will be transferred to some other modaraba company". It is pertinent to mention here that Map Out never objected to condition (xix) of the Order rather accepted it as part of the arrangements approved and communicated to it for compliance. Hence, raising objections on condition No. (xix) of the Order at this stage holds no ground.

6. As regards the response of the Chief Executive of Map Out, it is mentioned that he never brought in to the notice of this office that he was not properly consulted or participated in the affairs of the Map Out. It is admitted fact that Mr. Karman Shazad failed to discharge his legal and fiduciary responsibilities as chief executive of Map Out. Any expression of disassociation from the affairs of the



Modaraba without any cogent steps to this effect cannot absolve him from his core responsibilities as chief executive of Map Out.

7. The authorized representatives of the Respondents appeared before the Registrar Modaraba on September 8, 2015. However, Mr. Kamran Shehzad failed to neither appear in person nor sign the authority letters presented on behalf of the Company to the Registrar Modaraba.

8. Brief proceedings of the hearing are as under:

- (i) The respondents challenged the basis of the SCN with a plea to withdraw it. However, they could not put forward any cogent legal ground in support of their claim. Further, the respondents argued that Map Out had applied for issuance of other than Right certificates and deposited the required fee. However, approval to the same was not granted and withheld on the ground that the Modaraba Company had not arranged the funds for injection in the equity.

In this regard, the respondents were clarified that the permission for Right certificates was kept in abeyance to ensure receipt of funds by Map Out for equity injection in the Modaraba as per conditions of the Order which Map Out failed to provide despite lapse of considerable time.

- (ii) The respondents re-affirmed about their plan to inject the funds and in this regard sought further time up to December 31, 2015 to comply with the conditions laid down in the Order.

9. Subsequent to the hearing, the authorized representative of the respondents namely; Ch. Iftikhar Nazir submitted an undertaking/commitment dated September 9, 2015, reiterating his financial support to Map Out for revival of the Modaraba. He also undertook to provide additional financial support of Rs. 200 million as loan if required by Map Out to be injected in the Modaraba other than the already committed Musharakah Financing by his group companies. Owing to the commitments given by the respondents during the hearing, further proceedings under the show-cause notice were kept in abeyance and another extension in timeline up to December 31, 2015 for injection of requisite equity (Rs. 50 million) and Musharakah financing (Rs. 50 million) was granted vide letter dated September 15, 2015. A formal approval for issuance of Modaraba certificates other than right was also granted to the Map Out vide letter dated October 9, 2015, subject to certain conditions including that the date of Right issue will not go beyond December 31, 2015.

10. Later on, Map Out vide letter dated January 28, 2016 informed that Rs. 50 million have been injected in the equity of Uicap through the proposed right issue at discount. The Modaraba Company vide letters dated 28.1.2016 (and not 28.1.2015 as mentioned on it), 12.2.2016 and 23.2.2016 submitted the following documents:

- (i) A copy of Form-3 dated 26.1.2016, signed by Mr. Junaid Iqbal, Director.



- (ii) A copy of certificate dated January 28, 2016, issued by RSM Awais Hyder Liaquat Noman & Co., Chartered Accountant, confirming from the books of accounts of Unicap that an amount of Rs. 50 million has been received as subscription money in respect of proposed issue of modaraba certificates.
- (iii) A copy of certificate dated January 31, 2016, issued by MCB Bank Limited confirming that an amount of Rs. 60 million has been credited in the account No. 1002577 of Unicap Modaraba from December 1, 2015 to January 31, 2016.

11. Map Out vide letter dated March 03, 2016 once again applied for further extension for injection of first tranche of Musharakah finance by June 30, 2016.

12. With regard to filing of Form-3 dated 26.1.2016, it is noticed that Map Out never provided any proof of issuance of Right Modaraba Certificates and their lodgment with the share registrar/Central Depository Company in light of condition No. (v) of the Order. As regards injection of funds of Rs. 50 million in the equity of the Modaraba, in order to verify the claim of Map Out, this office vide letter dated March 16, 2016 advised it to submit the following documents:

- (i) Original bank statement of the Modaraba evidencing credit of Rs. 50 million by the Map Out for issuance of Right modaraba certificates at discount to Map Out.
- (ii) Original bank certificate dated January 31, 2016, issued by MCB Bank Limited confirming that a sum of Rs. 60 million has been credited in the account of the Modaraba from December 1, 2015 to January 31, 2016.

13. In response to the above said letter, Map Out vide letter dated March 18, 2016 (and not March 18, 2015 as mentioned on the letter) contended that original documents have already been provided to this office. The examination of the record revealed that the Modaraba Company had never filed the requisite bank statement to this office. Non-provision of the bank statement not only showed non-compliance of the direction of the Registrar Modaraba but was also a major hurdle in verifying the claimed injection of funds in the Modaraba by Map Out. Furthermore, Map Out's request for another extension made through its letter dated March 03, 2016 to inject first tranche of Musharakah finance in the Modaraba by June 30, 2016 is evident of Map Out's failure to inject the requisite equity and musharakah finance in the Modaraba for its revival as per timeline provided in the Order.

14. In view of the above facts and submissions, it is established that Map Out has failed to comply with the fundamental condition of injection of funds, as prescribed in the Order for transfer of authorization and management of the Modaraba.

15. In addition to the failure in injection of funds as per the conditions of transfer of management of the Modaraba, the following irregularities / non-compliances by the Modaraba Company have been observed:

- i) The Modaraba Company failed to transmit quarterly accounts of Unicap since its takeover on December 12, 2014;



- ii) Mr. Kamran Shehzad, chief executive of the Modaraba Company has never responded to any letter of the Commission. As informed by him, he has disassociated himself from the management of Unicap due to internal management's glitches. He did not appear for personal hearing also;
- iii) Map Out failed to comply with the condition No. (v) of the Order regarding deposit of shares of the Modaraba Company with the Central Depository Company, held by its sponsors/major shareholders; and
- iv) Map Out failed to deposit annual renewal fee of its registration and renewal fee of authorization of the Modaraba for the year 2016 despite reminders in violation of the Modaraba Companies and Modaraba Rules, 1981.

16. The above mentioned state of affairs raises serious concerns and indicates the inability and inconsiderate attitude of the Modaraba Company, its Chief Executive and Directors to revive the Modaraba through injection of funds and proper management.

17. The Modaraba Company's continuous default to comply with the condition for injection of equity/musharakah in the Modaraba, non-provision of the requisite information/document and other non-compliances of the regulatory framework, transpires its inability to inject funds and to revive the Modaraba in light of the Order and comply with the regulatory framework for Modarabas.

18. In this situation, I consider it necessary and in the public interest to exercise the powers conferred under Section 20(1)(a)(iii) of the Ordinance and hereby remove Map Out from the management of the Modaraba with immediate effect. I, further, in exercise of powers conferred under Section 20(1)(a)(i) *ibid.*, hereby appoint Mr. Nazir Ahmed Shaheen of M/s. Nazir Shaheen and Associates as Administrator (**the "Administrator"**) to take over and manage the Modaraba in place of Map Out with immediate effect. From now onwards all the powers and duties of Map Out and those of its Board of Directors shall be exercised and performed by the Administrator. The appointment order governing the terms and conditions of appointment of the Administrator shall be issued separately which shall be read as an integral part of this order.

19. The Chief Executive and directors of Map Out are directed to immediately hand over the management of the Modaraba to the Administrator failing which the Chief Executive and all the Directors of Map Out would be liable besides any other action under the relevant provision of the law.

20. Approval of the Commission for the aforesaid appointment of Administrator to manage the Modaraba in place of Map Out has been obtained as required under Section 20(2) of the Ordinance.

21. Issued under my hand and seal this 19th day of April, 2016 at Islamabad.




(**SHAHID MAHMOOD**)
Registrar
Modaraba Companies and Modaraba