

*Before*

**Amir M. Khan Afridi, Director/Head of Department**

*In the matter of*

**Frontier Ceramics Limited**

Dates of Hearings

August 31, 2021, September 13, 2021 and  
October 20, 2021

**Order-Redacted Version**

Order dated April 18, 2022, was passed by Director/Head of Department (Adjudication-I) in the matter of Frontier Ceramics Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show Cause Notice dated June 22, 2021
2. Name of Company	Frontier Ceramics Limited
3. Name of Individual*	The proceedings were initiated against the Company and its board of directors.
4. Nature of Offence	Brief facts of the case are that examination of the statement of compliance (SOC) with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations), annexed to annual audited financial statements (the Accounts) of the Company for the year ended June 30, 2020, transpired that out of total seven (7) directors only one director namely ***, was acting as independent director. By not having at least two independent directors on its board, the Company, <i>prima facie</i> , has contravened regulation 6 of the Regulations. The matter of said non-compliance of the Regulations was also highlighted in the Auditors' Review Report annexed to the Accounts of 2020. The Company also, <i>prima facie</i> , contravened the requirements of Section 166(1) of the Act as the name of independent director i.e. *** was not registered with databank maintained by PICG, an institute notified by the Commission. Hence, proceedings were initiated through aforesaid SCN.
5. Action Taken	Key findings are given as hereunder:  I have examined the facts of the case, submissions made in writing as well as during the hearing proceedings and state that:  (i) In terms of Section 166(1) of the Act it is mandatory to have independent directors from databank maintained by an institute notified by the Commission i.e. PICG. The Respondents are of the view that they are in the process of due diligence for appointment of two independent directors shortlisted from databank of PICG. In this regard, the arguments are not tenable as despite lapse of considerable

	<p>time, the defaults have not been rectified. The Company, hence, by not having independent director's name registered on that databank of PICG, has contravened the requirements of Section 166(1) of the Act.</p> <p>(ii) In terms of regulation 6(1) of the Regulations, a listed company shall have at least two or one third members of the Board, whichever is higher, as independent directors. The Company, however, did not have requisite number of independent directors on its board, contrary to the requirements of regulation 6(1) of the Regulations.</p> <p>(iii) Through letter dated October 22, 2021, the Respondents have informed that steps were taken to appoint three independent directors on the board of the Company. In this regard, it is stated that subsequent compliance does not exonerate the Respondents for the cited non-compliances.</p> <p>Keeping in view the above it is stated that stance taken by the Respondents for non-compliances of the aforesaid requirements of Section 166(1) of the Act and regulation 6(1) of the Regulations is not tenable. The Authorized Representative have also admitted the defaults. In terms of the powers conferred under Section 169 of the Act and regulation 37 of the Regulations, I hereby, impose penalty of Rs. 100,000/- (Rupees One Hundred Thousand only) on the Respondents.</p> <p>The Respondents are, hereby, directed to deposit the aforesaid amount of penalties in the designated bank account maintained in the name of the Commission with MCB Bank Limited within thirty (30) days from the date of this Order and furnish receipted bank challan to the Commission forthwith evidencing payment of the said penalty. In case of failure to deposit the penalty, proceedings under the Section 485 of the Act will be initiated for recovery of the fines as arrears of land revenue. It may also be noted that the said penalties are imposed on the Respondents in personal capacity; therefore, the Respondents are required to pay the said amount from their personal resources.</p> <p>Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for imposition of penalties in respect of any default, omission, violation of the Act.</p>
6. Penalty Imposed	Rs. 100,000/-
7. Current Status of Order	The penalty was not deposited. An appeal was filed.