

Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Gulistan Textile Mills Limited

Date of Hearing

March 18, 2021

Order-Redacted Version

Order dated March 26, 2021 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Gulistan Textile Mills Limited. Limited Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated February 23, 2021
2. Name of Company	Gulistan Textile Mills Limited
3. Name of Individual*	The proceedings were initiated against the directors of Gulistan Textile Mills Limited (the Company) and Company.
4. Nature of Offence	Violation of under Section 166, Section 169 and Section 479 of the Companies Act, 2017
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I, have gone through the facts of the case, submissions made in writing and relevant arguments made by the Authorized Representative during the hearing proceedings. The matter is summarized in the following manner:</p> <p>a. In terms of Section 166 of the Act, the Company is required to have independent directors as specified therein. Moreover, it is highlighted for reference that the Companies (Manner and Selection of Independent Directors) Regulations, 2018 which were notified in terms of Section 166 and Section 512 of the Act by the Commission through SRO 556(I) of 2018 dated April 26, 2018 have specified the manner for selection of persons to be elected or appointed as independent directors. In addition to above, in terms of SRO 73(I)/2018 dated January 25, 2018, PICG was also notified in terms of section 166 of the Act to maintain database of independent directors. In view of the given requirements the Company, being a listed company, needs to have independent directors to be selected from database maintained by a notified institute i.e. PICG. As per available information, the persons elected as independent directors in EGM of October 31, 2020,</p>

	<p>namely Mr. *** and ***, were not registered in the data bank maintained by the authorized institute i.e. PICG. The stance that due to the financial hardship; the Company was not in a position to manage financial cost of independent directors whose names are registered with data bank, is not acceptable. Hence, violation of Section 166(1) of the Act is attracted.</p> <p>b. In terms of regulation (7) of the Regulations, a listed company needs to have at least one female director. Pursuant to election of directors held on October 31, 2020, neither any female director was elected on the board of the Company nor any evidence, in this regard, for the purpose of compliance, was furnished during the said proceedings. I, am of the view that the purpose of requirements of having at least one female director is to ensure gender diversity and transparent corporate governance of a listed company. The Respondents, however, failed to ensure compliance of the given requirements. Hence, I, am of the view that violation of regulation (7) of the Regulations is attracted for which penalty is provided in terms of regulation 37 and Section 512 of the Act.</p> <p>Keeping in the view that, a penalty of Rs. 200,000/- only (Rupees Two Hundred Thousand) was imposed on the Respondents.</p> <p>Penalty order dated March 26, 2021 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A penalty of Rs. 200,000/- only (Rupees Two Hundred Thousand) was imposed on all the Respondents.
7. Current Status of Order	Appeal. No. 67/2021 has been filed by the Respondents.