

Before Ali Azeem Ikram, Executive Director/Head of Department (Adjudication-I)

In the matter of Show Cause Notice issued to Gulshan Spinning Mills Limited

Dates of Hearings	October 2, 2020, November 27, 2020, December 15, 2020, January 21, 2021, February 12, 2021, February 26, 2021, March 15, 2021 and March 18, 2021
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Order-Redacted Version

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

Nature	Details
1. Date of Action	Show cause notice dated April 23, 2020
2. Name of Company	Gulshan Spinning Mills Limited
3. Name of Individual*	The proceedings were initiated against the directors including the chief executive officer of the Company i.e. Gulshan Spinning Mills Limited
4. Nature of Offence	Violations of section 237 read with 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>(i) In terms of section 166 of the Act the Company is required to have independent directors as specified therein. Moreover, it is also 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.</p>

	<p>PICG, and to be elected or appointed as the case may be. As per available information, the persons elected as independent directors in EGM of July 18, 2019, namely *** 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>(ii) Election of directors of the Company was scheduled to be held on July 18, 2019 and the directors of the Company acting prior to the election were responsible to ensure the compliance of the requirements of section 134 and section 166 of the Act. The Respondents however failed to ensure compliance by not annexing statement of material facts in terms of section 134(3) of the Act wherein disclosure along with justifications for choosing persons to be appointed as independent directors was required in terms of section 166(3) of the Act. The Respondents preferred no reply in this regard. Hence, violation of section 134(3) and section 166(3) of the Act is attracted.</p> <p>Keeping in view a penalty of Rs. 175,000/- only (Rupees one hundred and seventy five thousand) was imposed on all 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. 175,000/- only (Rupees one hundred and seventy five thousand) was imposed on all the respondents.
7. Current Status of Order	Appeal No. 68/2021 has been filed by the respondents.