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

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

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| Dates of Hearings: | February 6, 2019, February 21, 2019, January 21, 2020 & February 3, 2020 |

**Order-Redacted Version**

Order dated February 14, 2020 was passed by Executive Director/Head of Adjudication Department-I in the Matter of Gulistan Textile Mills Limited. Relevant details are given hereunder:

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| **Nature** | **Details** |
| 1. Date of Action | Show Cause Notice dated January 21, 2019 |
| 1. Name of Company | Gulistan Textile Mills Limited |
| 1. Name of Individual\* | The proceedings were initiated against the Board of Directors of the Company. |
| 1. Nature of Offence | In view of alleged violations of Section 132 of the Companies Act, 2017 vis-à-vis non-convening of the AGM for the financial year ended June 30, 2018. |
| 1. Action Taken | Key findings of default of the Act were reported in the following manner:  Analysis of the facts of the case, relevant provisions of the Act that are unambiguous and explicitly state that a company is required to hold its AGM within a period of one hundred and twenty days from the close of its financial year. Holding of the AGM is a vital statutory requirement as it provides an opportunity to the shareholders to participate in the discussion and vote on important corporate decisions in AGM. The AGM is a forum where shareholders can discuss performance of the Company and at the same time, management can present its stewardship of resources entrusted to it. In order to ensure transparency and to protect the shareholders’ rights, all companies must meticulously adhere to the law by following the procedure prescribed under the Act for holding the AGMs.  Moreover, the directors also have fiduciary duties towards the company and its shareholders, hence, they are liable to a higher level of accountability, which requires them to be vigilant and perform their duties with utmost care and prudence. In this context, Respondents cannot absolve themselves from their statutory duties pertaining to holding of AGMs, preparation and filing of annual and quarterly financial statements in a timely manner as specified under the law.    2. In view of the preceding facts, it has been observed that the Company failed to convene its AGM for the financial year ended June 30, 2018 as stipulated under the law. Hence, the Respondents are liable to penal action under sub-section (5) of Section 132 of the Act.  Penalty Order dated February 14, 2020 was passed by Executive Director (Adjudication-I). |
| 1. Penalty Imposed | Penalty aggregating Rs.70,000/- (Rupees seventy thousand only) was imposed on the Company’s Board of Directors. |
| 1. Current Status of Order | An Appeal has been filed by the Respondents before the Appellate Bench of the Commission. |

Redacted version issued on August 30, 2020 for placement of website of the Commission.