

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

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

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Dates of Hearings:

October 31, 2018, February 21, 2019, January 21,  
2020 & February 3, 2020

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**Order-Redacted Version**

Order dated February 25, 2020 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 October 15, 2018
2. Name of Company	Gulshan Spinning Mills Limited
3. Name of Individual*	The proceedings were initiated against the Company's Board of Directors.
4. Nature of Offence	In view of alleged violations of Section 148 of the Companies Act, 2017.
5. Action Taken	<p>Key findings of default were reported in the following manner:</p> <p>Analysis 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, and in case a default is made in holding of the same in accordance with the law, the company must hold its AGM in conformity to the direction of the Commission. 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 statute for holding the AGMs.</p> <p>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.</p>



**Securities and Exchange Commission of Pakistan**  
**Adjudication Division**  
**Adjudication Department-I**

	<p>2. In view of the preceding facts and record available with the Commission, it was observed that the Company convened its overdue AGMs for the financial years ended June 30, 2015 and June 30, 2016 with an inordinate delay on January 31, 2018 and July 16, 2018, and as a result, contravened the provisions of Section 170 of the Ordinance (corresponding Section 147 of the Act) by failing to comply with the directions of the Commission dated June 20, 2017 to hold its past due AGMs on or before August 31, 2017 and September 30, 2017, respectively.</p> <p>Penalty Order dated February 25, 2020 was passed by Executive Director/ Head of Adjudication Department-I).</p>
2. Penalty Imposed	Penalty aggregating Rs.70,000/- (Rupees seventy thousand only) was imposed on the Company's Board of Directors.
3. Current Status of Order	An Appeal has been filed by the Respondents before the Appellate Bench of the Commission.