

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

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

Dates of Hearings:

October 17, 2018, February 21, 2019, January 21,
2020 & February 3, 2020

Order-Redacted Version

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

Nature	Details
1. Date of Action	Show Cause Notice dated October 02, 2018
2. Name of Company	Gulistan Textile 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 i.e. failed to convene the Company's overdue AGMs for the years ended June 30, 2015 and June 30, 2016 within the stipulated period given by the Commission vide its directions dated June 20, 2017, under Section 170 of the repealed Companies Ordinance, 1984.
5. Action Taken	<p>Key findings of default of the Act 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</p>



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Adjudication Division
Adjudication Department-I

	<p>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> <p>2. In view of the preceding facts and record available with the Commission, I observe that the Company convened its overdue AGMs on January 31, 2018 and October 27, 2018 pursuant to the revised Commission's directive dated January 05, 2018 and October 02, 2018, respectively. Nevertheless, I would like to point out that the Company failed to convene its overdue AGMs for the years ended June 30, 2015 and June 30, 2016 within the specified period given by the Commission vide its directions dated June 20, 2017, under Section 170 of the Ordinance.</p> <p>Penalty Order dated February 14, 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.

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