



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

Before Mahboob Ahmad - Additional Director/Head of Wing

In the Matter of

Gulistan Textile Mills Limited

Number and Date of SCN: CSD/ARN/193/2015-13 dated May 03, 2023

Hearing Dates: June 22, 2023 & August 15, 2023

Present: Mr. Muhammad Hamza Khokhar & Mr. Muhammad Ijaz (Company Secretary)

ORDER

UNDER SECTION 237 READ WITH SECTION 479 OF THE COMPANIES ACT, 2017

This Order shall dispose of the proceedings initiated through Show Cause Notice dated May 03, 2023 (the SCN) issued, under Section 237 of the Companies Act, 2017 (the Act) read with Section 479 thereof, to the following directors including the chief executive and Chief Financial Officer (CFO) (collectively referred to as the "Respondents") of Gulistan Textile Mills Limited (the "Company").

Sr. #	Name of Respondent
1	Mr. Waqar Ahmed - Chairman
2	Mr. Naseer Ahmed - Chief Executive
3	Mian Basharat Mehmood Khalid - Director
4	Mr. Muhammad Arif - Director
5	Mian Khalid Naseem - Director
6	Mr. Zubair Hussain Akhtar - Director
7	Mr. Muhammad Younas - Director
8	Mr. Akhtar Aziz - CFO

2. Brief facts of the case are that the Company failed to electronically transmit its quarterly financial statements for the following period with the Securities and Exchange Commission of Pakistan (the "Commission") within the stipulated time pursuant to Section 237 of the Act read with Circular No. 24 of 2017 (the "Circular"):

Sr. #	Period ended	Filing due on
1	September 30, 2022	October 30, 2022

3. The Respondents, *prima facie*, contravened the provisions of Section 237 of the Act read with the Circular by failing to electronically transmit the aforementioned quarterly financial statements with the Commission within the stipulated time.

4. Consequently, the SCN was issued to the Respondents to show cause in writing as to why penal action may not be taken against them for non-compliance of Section 237 of the Act.



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5. The Respondents failed to submit written response to the SCN, hence a hearing opportunity was provided for June 22, 2023. The Respondents neither submitted written response nor attended the hearing on the afore-said date.

6. Subsequently, hearing was re-fixed for August 15, 2023, wherein Mr. Muhammad Hamza Khokhar and Mr. Muhammad Ijaz, Company Secretary appeared on behalf of the Respondents as their authorized representatives (AR). The AR during the hearing and through letter dated August 20, 2023 submitted as under:

"On account of the reasons mentioned in our letter dated 13.11.2020 and 16.11.2020, the audit for the year ending 30.06.21 has been delayed due to resignation of previous auditor. Now we have held AGM for the year ended 30.06.2021 on 24.06.2023. Due to aforementioned reasons, we are unable to prepare the quarterly accounts within the stipulated time. We will submit quarterly accounts for the quarter ended 30.09.2022 on or before 15.09.2023.

In view of the foregoing, you are requested to please accept our genuine reason and may not impose any penalty."

7. The relevant provisions of the Act stipulate as under:

Sub-section (1) of Section 237 of the Act read with the Commission's Circular No. 24 dated October 19, 2017 entails:

1) Every listed company shall prepare quarterly financial statements within a period of :-
a) thirty days from the close of first and third quarters of its year of accounts; and
b) sixty days from the close of its second quarter of its year of accounts.

2) The quarterly financial statements shall be posted on the company's website for the information of its members and also be transmitted electronically to the Commission, securities exchange and with the registrar within the period specified under sub-section (1).

Sub-section (4) of Section 237 read with Section 479 of the Act stipulates that:

If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief financial officer of the company who has by his act or omission been the cause of such default shall be liable to a penalty of level 2 on the standard scale.

8. As regards the matter at hand, I have analyzed the facts of the case, relevant provisions of the Act, records available with the Commission, written reply and verbal submissions by the AR; the aforementioned provisions of the law are unambiguous and explicit. The timing of quarterly financial statements is of essence and the disclosure requirements of these quarterly financial statements have been kept to a bare minimum. Quarterly financial statements prepared accurately and in a timely manner not only



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provide to its users a reliable source of information regarding a Company's financial position and performance but also shows the results of the management's stewardship of resources entrusted on to it. In order to ensure transparency, the Respondents have fiduciary duty to ensure that the company must meticulously adhere to the law for preparation and circulation of quarterly financial statements. Moreover, the Respondents in addition to their responsibilities of overseeing and managing the affairs of the company, also have fiduciary duties towards the Company and its shareholders. It is the responsibility of the Respondents to oversee the functioning of the company, to keep it appropriately staffed and organized to ensure due compliance of the law. In this context, Respondents cannot absolve themselves from their statutory duties pertaining to preparation and transmission of annual and quarterly accounts in a timely manner as stipulated under the Act.

9. The preparation and circulation of quarterly financial statements within the statutory timeframes rest with the Respondents. In this context, perusal of Company records reveals that the Respondents failed to electronically transmit the Company's quarterly financial statements for the period ended September 30, 2022 pursuant to the Circular; likewise, the Company's has poor compliance history with regard to transmission of quarterly financial statements. Further the said non-compliance has also be admitted by the AR during the hearing and also in its response dated August 20, 2023. It is pertinent to note that the Respondents have deprived the shareholders of their statutory right to receive quarterly financial statement of the Company within the prescribed time.

10. In view of the preceding facts, I have come to the conclusion that the afore-said provisions of the Act have been violated and it render Respondents liable to penal action in terms of Section 237 of the Act as a result of failing to electronically transmit the Company's quarterly financial statements for the period ended September 30, 2022 with the Commission within the statutory timeframes as stipulated under the law. Therefore, in exercise of powers conferred under sub-section (4) of Section 237 of the Act, I hereby impose an aggregate penalty of **Rupees eighty thousand (PKR 80,000/-)** i.e. Rs. 10,000 apiece on the Respondents for the aforementioned default period as follows:

Sr. #	Name of Respondent	Amount in Rupees
1	Mr. Waqar Ahmed - Chairman	10,000
2	Mr. Naseer Ahmed - Chief Executive	10,000
3	Mian Basharat Mehmood Khalid - Director	10,000
4	Mr. Muhammad Arif - Director	10,000
5	Mian Khalid Naseem - Director	10,000
6	Mr. Zubair Hussain Akhtar - Director	10,000
7	Mr. Muhammad Younas - Director	10,000
8	Mr. Akhtar Aziz - CFO	10,000
TOTAL		80,000

11. The aforementioned penalties must be deposited in the designated bank account maintained with MCB Bank Limited or United Bank Limited in the name of the *Securities and Exchange Commission of Pakistan* within thirty (30) days from the receipt of this Order,



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and duly deposited bank challan shall be furnished to the Commission. In case of non-deposit of the penalties, proceedings for recovery under Section 485 of the Act as arrears of land revenue will be initiated. It may also be noted that the penalty has been imposed on the Respondents in their personal capacity; therefore, they are required to pay the said amount from personal resources.

12. Nothing in this Order may be deemed to prejudice the operation of any provisions of the Act providing for imposition of penalties on Respondents in respect of any default, omission or violation thereof.

Mahboob Ahmad
Additional Director/ Head of Wing
Listed Companies, Adjudication Department - I

Announced:
August 25, 2023
Islamabad