



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/196/2015-100 dated August 08, 2023

Hearing Dates: September 1, 2023 and September 11, 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 by the Securities and Exchange Commission of Pakistan (the Commission) through Show Cause Notice dated August 08, 2023 (the "SCN") issued, under Section 237 of the Companies Act, 2017 (the "Act") read with Section 479 thereof, to the directors, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") (collectively referred to as the Respondents) of Gulistan Textile Mills Limited (the "Company").

2. Brief facts of the case are that the Company failed to electronically transmit its interim financial statements for the following period with 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	December 31, 2022	March 01, 2023

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.

5. The Respondents failed to submit written response to the SCN, hence a hearing opportunity was provided for September 1, 2023 that was adjourned on the request by the Respondents.



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6. Subsequently, hearing was re-fixed for September 11, 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 submitted as under:

- Only 15% to 20% shares held by public and trading of shares is suspended by PSX.
- A scheme of arrangement was filed in Sindh High Court whereby it was proposed to sell assets of the company by five banks. The scheme was later sanctioned by the Court. Financial and human resource constraints caused delay in finalization of scheme of arrangement and also caused alleged delays.
- There are case laws in which Appellate Bench of Commission ("AB") converted penalty into warnings on the basis of subsequent compliance and same will be provided along with written response.
- Assured to transmit quarterly accounts before September 30, 2023 and timely future compliance. Further requested for lenient view in respect of alleged violation.

7. The AR vide letter dated September 14, 2023 submitted written response, extracts of which are given below:

- Late completion of audit for the year ended June 30, 2022 caused delay in holding of AGM and the same was held on June 24, 2023. These delays along with financial and human resource constraints faced by the Company resulted in non-preparation of quarterly accounts for the period ended December 31, 2022 within the stipulated time;
- Trading in shares of the Company is suspended by the PSX, therefore, non-transmission of quarterly accounts within stipulated time has not affected the rights of shareholders; and
- AB has converted penalty into warning in few cases where non-compliance was due to financial and human resource constraints and subsequent compliance was made by the companies.

8. 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,*



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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.

9. 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 and transmitted in a timely manner not only 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 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 transmission 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 and to ensure due compliance of the law. In this context, Respondents cannot absolve themselves from their statutory duties pertaining to preparation and transmission of quarterly accounts in a timely manner as stipulated under the Act.

10. 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 December 31, 2022 pursuant to Section 237 of the Act and Circular. Further the said non-compliance has also been admitted by the AR during the hearing and also in its response dated September 14, 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. It is further noted from the Orders referred by the AR whereby AB converted penalties into warnings were on the basis of fair compliance history of relevant companies besides subsequent compliance. In the instant matter the Company has a poor compliance history with regards to transmission of quarterly financial statements.

11. 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 December 31, 2022 with the Commission within the timeframe as stipulated in Section 237 of the Act and Circular. However, considering the assurance given by respondents for compliance of aforesaid provisions before September 30, 2023, I, taking a lenient view, in exercise of powers



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conferred under sub-section (4) of Section 237 of the Act, 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 tabulated below:

Sr. #	Name of Respondent	Penalty in Rupees
1	Mr. Naseer Ahmed - Chief Executive	10,000
2	Mr. Waqar Ahmed - Director	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

12. 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, 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.

13. 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:
September 20, 2023
Islamabad