

Before Amir M. Khan Afridi, Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Suhail Jute Mills Limited

Dates of Hearings

March 18, 2021, April 28, 2021, May 28, 2021

Order-Redacted Version

Order dated June 14, 2021 was passed by Director/Head of Department (Adjudication-I) in the matter of Suhail Jute Mills Limited Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated March 1, 2021
2. Name of Company	Suhail Jute Mills Limited
3. Name of Individual*	The proceedings were initiated against two directors of the company i.e. Suhail Jute Mills Limited
4. Nature of Offence	Violation of under Section 153 read with Section 175 and Section 479 of the Companies Act, 2017 as directors were not members of the Company.
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I, have analyzed the facts of the case, relevant provisions of the Act, and arguments set forth by Respondents in writing as well as over the course of the hearings. The matter is summarized as given below:</p> <p>(i) Relevant information of the Company transpires that election of directors of the Company was held on March 28, 2019 and Respondents were appointed as Independent Directors with effect from May 6, 2019 due to casual vacancies on the board. The Respondents have furnished copy of letter dated May 13, 2019, in terms of which share registrar of the Company was informed about share transactions of 500 shares to be transferred in the names of the Respondents. The share registrar, however, vide letter dated May 15, 2019 informed to the Respondents that: <i>“With reference to your letter of May 13, 2019, we are returning herewith your two transfer cases of Mr. *** and *** without any action due to suspension in the trading of shares of your company by the Pakistan Stock Exchange since 12.01.2016”</i>. I, have also perused that in terms of clause 96 of the Articles of Association of the Company, which, inter alia, states</p>

	<p>that: <i>“he may act as Director before acquiring his qualifications but in any case acquires the same within two months”</i>. In terms of the aforesaid, the each Respondents stance that they proceeded to acquire 500 qualification shares does not qualify as they did not become members of the Company due to refusal for transfer of shares from share registrar; owing to suspension in trading of shares of the Company.</p> <p>(ii) I am of the view that requirements of the Act are quite evident and in terms of the Act or in terms of Articles of Association of the Company, no person can be elected as director of the company unless he is members and exception in this regard are duly provided in the Act. Moreover, the Company did not file the Form – 3 with the Commission which is the evidence of shareholding of the member. I am also of the view that acquisition of shares concludes only when shares are duly transferred in the name of the acquirer. In the instant matter; the transfer of qualification shares in the names of the Respondents did not take place, which is substantive evidence that the Respondents were not members of the Company and they were acting as directors of the Company, which is in violation of Section 153(i) of the Act.</p> <p>(iii) The Respondents, hence, despite were in knowledge of the facts that no exemption to the given requirements of the Act was available, and they were required to be members of the Company for being directors, in order to ensure compliance of the Act, instead preferred to act as directors of the Company without being member of the Company. The Respondents however may approach the concerned department of the Commission for any relief in this regard.</p> <p>Keeping in the view that, a penalty of 25,000/- (Rupee Twenty Five Thousand) was imposed on the Respondents.</p> <p>Penalty order dated June 14, 2021 was passed by Director/HOD (Adjudication-I).</p>
6. Penalty Imposed	A penalty of 25,000/- (Rupee Twenty Five Thousand) was imposed on the Respondents.
7. Current Status of Order	No appeal has been filed by the Respondents till date.