



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of Company	M/s. Fateh Industries Limited
Show Cause Notice No. & Date:	No. CSD/ARN/458/2017-619 dated July 04, 2025
Name(s) of Noticee(s):	(i) Mr. Saeed Alam, Chief Executive Officer /Director; (ii) Mr. Aftab Alam, Director; (iii) Mr. Rauf Alam, Director; (iv) Mr. Faraz Alam, Director; (v) Mr. Ashhar Alam, Director; (vi) Mr. Jamal Alam, Director; (vii) Mrs. Seema Rauf, Director; and (viii) M/s. Fateh Industries Limited
Date(s) of Hearing(s):	July 21, 2025
Case represented by:	Mr. Saeed Alam, CEO/Director; (As Authorized Representative)
Provision of law involved:	Regulation 6 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 read with Regulation 37 thereof and Section 512 of the Companies Act, 2017
Date of Order:	August 11, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the “Commission”) through the Show Cause Notice No. CSD/ARN/458/2017-619 dated July 04, 2025 (“SCN”) against M/s. Fateh Industries Limited (the “Company”) and its Board of Directors (“BoD”), including the Chief Executive Officer (“CEO”), hereinafter collectively referred to as the “Noticee(s)”, issued under regulation 6 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the “CCG Regulations”) read with regulation 37 thereof and Section 512 of the Companies Act, 2017 (the “Act”).

2. The provisions of sub regulation (1) of regulation 6 of the CCG Regulations provides that it is **mandatory** for each listed company to have at least two or one third (1/3rd) members of the Board, whichever is higher, as independent directors. The non-compliance of the aforementioned provision of regulation 6 of the CCG Regulations attracts a penal action under regulation 37 of the CCG Regulations; where regulation 37 provides that whoever fails or refuses to comply with, or contravenes Regulations 6 of the CCG Regulations, shall be punishable with penalty as provided under sub-section (2) of Section 512 of the Act which in turn provides that contravention of any regulation made under sub-section (1) shall be punishable with a penalty which may extend to five million rupees and where the contravention is a continuing one, with a further penalty which may extend to one hundred thousand rupees for every day after the first during which such contravention continues.

3. The brief facts of the case are that as per the review of Annual Report/Annual Audited Financial Statements for the year ended June 30, 2023 and June 30, 2024 of the Company (the “Annual Report”), it was revealed that the Company, *prima facie*, failed to **appoint at least two or one third members of the Board, whichever is higher, as independent directors** on the board as per requirement of Regulation 6(1) of the CCG Regulations. It was further revealed that the Company held its last election of directors on June 26, 2023 but failed to appoint the requisite Independent Directors on its Board.

Handwritten signature and date:
11-08-2025

4. In order to probe the matter, the Commission vide letter dated January 07, 2025 sought clarification from the Company regarding the afore-said non-compliance. In response, the Company vide letter dated February 01, 2025, *inter-alia* stated that;

"the Company has already decided to delist the Company from PSX....we understand that the requirement of Independent Directors may not be practical in our case because independent directors are required where company's affairs are properly monitored by the Independent Director."

5. The aforesaid indicated that the Company had, *prima-facie*, contravened the mandatory requirements of the regulations 6(1) of the CCG Regulations which attracts penal action as provided under regulation 37 of the Regulations read with provisions of Section 512 of the Act.

6. Accordingly, SCN was served upon the Noticee(s), requiring them to show the cause as to why penal action may not be taken against them for the aforementioned contravention of the law. In response to the SCN, the Noticee(s), however, did not submit any written reply.

7. In order to provide an opportunity of being heard to the Noticee(s) and to meet the ends of justice, hearing in the instant matter was fixed for July 21, 2025 where Mr. Saeed Alam, CEO/Director, appeared in his personal capacity and also on behalf of the remaining Noticee(s) as their *Authorized Representative* and, *inter-alia*, submitted that:

- (i) *Company's operations have been halted/ shut since long with no business activity since then, making the appointment of an independent director impracticable as such oversight at the BOD level is primarily required for monitoring ongoing business operations;*
- (ii) *The entity is undergoing significant financial stress, limiting its ability to meet its overall regulatory obligations, especially in terms of identifying suitable persons who are willing for appointment as independent directors;*
- (iii) *Company's application for de-listing is also pending with the PSX;*
- (iv) *The Company is also facing a pending litigation in the Hon. High Court of Sindh due to which a large payment due from a foreign vendor has remained pending for a long time resulting in severe financial distress for the Company;*
- (v) *The Company is expecting the settlement of the on-going litigation shall help them realize the pending financial receivables which shall help them to revive the business; and*
- (vi) *An intent to comply was expressed, along with a request for leniency given the current circumstances.*

8. Subsequent to the hearing, the Authorized Representative, vide email dated July 21, 2025 provided a letter dated March 29, 2021 addressed to the CEO of Pakistan Stock Exchange Limited regarding de-listing and buy-back of shares of M/s Fateh Industries Limited as a documentary evidence to support the argument that the de-listing application is pending.

9. I have gone through the relevant provisions of regulations 6(1) of the CCG Regulations and considered the facts of the case along with the available record of the Company as well as written and verbal submissions of the Noticee(s) through their Authorized Representative. I have also perused regulation 37 of the CCG Regulations along with provisions of Section 512(2) of the Act, which stipulates penal provisions for contravention of the afore-referred provisions of law. It is pertinent to note that the requirement to appoint a minimum number of independent directors is not contingent upon the operational status of a company, especially where the company has elected other directors as well. The inclusion of independent directors plays a critical role in ensuring that decisions whether

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relating to potential restructuring, compliance, or delisting are made with objectivity and free from undue influence.

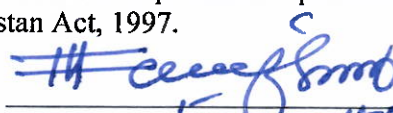
10. In a judgment passed by the Appellate Bench of the Commission in the matter of *Tandlianwala Sugar Mills Limited vs. Director/HoD Adjudication-I* (Appeal No. 85 of 2022), it was held that "The use of word "mandatory" in regulation leaves no room for any ambiguity---" This principle clearly affirms that compliance with the regulatory requirements is obligatory in nature, and the existence of challenging circumstances does not dispense with the obligation to adhere to the prescribed governance framework.

11. In view of the above, the aforesaid contravention with the requirements of regulation 6 of the CCG Regulations at relevant point in time have been established beyond doubt and the same have been admitted by the Noticee(s) which attracts penal action in terms of regulation 37 of the CCG Regulations read with Section 512(2) of the Act. I have also given due consideration to the argument presented by the Authorized Representative with regards to non-operational status of the business and the pending application for de-listing from PSX; but the same doesn't absolve the Noticee(s) from meeting the compliance requirements. I, therefore, in exercise of the powers conferred upon me under regulation 37 of the CCG Regulations and Section 512(2) of the Act read with SRO 1545(I)/2019 dated December 06, 2019, hereby impose an aggregate penalty of **Rs. 12,000/- (Pak Rupees Twelve Thousand Only)** on the Noticee(s) in the following manner:

Sr. #	Name of Noticee(s)	Penalty (Rs.)
1.	Mr. Saeed Alam, CEO/Director	1,000
2.	Mr. Aftab Alam, Director	1,000
3.	Mr. Rauf Alam, Director	1,000
4.	Mr. Faraz Alam, Director	1,000
5.	Mr. Ashhar Alam, Director	1,000
6.	Mr. Jamal Alam, Director	1,000
7.	Mrs. Seema Rauf, Director	1,000
8.	M/s. Fateh Industries Limited	5,000
	Total Amount	12,000

12. Furthermore, the Noticee(s) are **ADVISED** to ensure compliance with the relevant regulatory requirements and report the same to the Commission. The Noticee(s) are also advised to remain careful in the future and ensure meticulous compliance with the provisions of law effectively and efficiently.

13. The Noticee(s) are, hereby, directed to deposit the aforesaid amount of penalty in the designated bank account maintained in the name of the Commission with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and to furnish a receipted bank challan to the Commission forthwith. In case of failure to deposit the penalty, the proceedings under Section 485 of the Act will be initiated for recovery of the fines as arrears of land revenue pursuant to provision of Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997.


(Sohail Qadri) 11-09-2025
Director/ Head of Department
Adjudication Department-I

Announced:

Dated: August 11, 2025

Islamabad.

