



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of Company	M/s. Fateh Sports Wear Limited
Show Cause Notice No. & Date:	No. CSD/ARN/570/2018-377 dated April 28, 2025
Respondents:	(i) Mr. Aftab Alam, Chairperson/Director; (ii) Mr. Rauf Alam, Chief Executive Officer/Director; (iii) Mr. Saeed Alam, Director; (iv) Mr. Faraz Alam, Director; (v) Mr. Ashhar Alam, Director; (vi) Mr. Jamal Alam, Director; (vii) Mrs. Shabana Aftab, Director; and (viii) M/s. Fateh Sports Wear Limited
Date(s) of Hearing(s):	May 29, 2025
Case represented by:	Mr. Saeed Alam, Director; (As Authorized Representative)
Provision of law involved:	Regulations 6 and 27 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:	May 29, 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/570/2018-377 dated April 28, 2025 ("SCN") against M/s. Fateh Sports Wear Limited (the "Company") and its Board of Directors ("BoD"), including the Chief Executive Officer ("CEO"), hereinafter collectively referred to as the "Respondents", issued under regulations 6 and 27 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. Furthermore, regulation 27(1)(i) and (ii) of the CCG Regulations provide that it is **mandatory** that the Board Audit Committee ("BAC") shall be constituted by the BoD keeping in view the following requirements:

- (i) the Board shall establish an audit committee of at least three members comprising of non-executive directors and at least one independent director; and
- (ii) chairman of the committee shall be an independent director, who shall not be the chairman of the Board.

3. The non-compliance of the aforementioned provisions of regulations 6 and 27 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 and 27 of the CCG Regulations, shall be punishable with penalty as provided under sub-section (2) of Section 512 of the Act, which in terms 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.

4. Brief facts of the case are that review of the Company's Annual Report for the year ended June 30, 2024 (the "Annual Report") revealed that the Company had not appointed any independent director on its Board and consequently the chairman of the BAC was also not an independent director, thereby, resulting in non-compliance with the mandatory provisions of regulations 6(1) and 27(1) of the CCG Regulations.

5. In order to probe the matter, the Commission vide letter dated February 24, 2025 sought clarification from the Company regarding the afore-said non-compliances. In response, the Company vide letter dated March 10, 2025, *inter-alia* stated that;

"The company's operations have been shut down since 2015, as the auditors noted in the major uncertainty linked to going concern paragraph. In this regard we would like to make it clear that the company's directors have been providing financial support ever since operations were halted and have committed to do so until the stuck-up outstanding balance of US 2.000 Million Dollars is received and commercial operations are resumed"

Regarding non-appointment of independent directors on the board, we would like to state that the board of directors, which owns more than 80% of the company's shares, intended to delist the company from Pakistan Stock Exchange because in this situation where operations have been halted since long and there are no funds available to restart them, we understand that the requirements for independent directors may not be feasible in our situation. Independent directors are necessary, where a company's actions are adequately overseen by an independent director whereas in our case, there have been no business operations for last many years."

6. The aforesaid indicated that the Company had, *prima-facie*, contravened the mandatory requirements of the regulations 6(1) and 27(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.

7. Accordingly, SCN was served upon the Respondents, requiring them to show the cause as to why a penal action, may not be taken against them for the aforementioned contravention of the law. In response to the SCN, the Company vide its letter dated May 07, 2025, *inter-alia*, stated that:

"The company has neither any business activities nor further financial resources for last many years, we understand that the requirement of the Codes, particularly independent Director may not be practicable in our case because Independent Director is basically required in operational unit for advice and monitoring the business activities whereas in our case what sort of advice can be obtain for a sick unit which has been closed since long.

Company had been placed on defaulter's counter of the Exchange and trading of the shares were suspended since last many years and it is evidence that the management does not intends to remain listed in the Stock Exchange."

8. In order to provide an opportunity of being heard to the Respondents and to meet the ends of justice, hearing in the instant matter was fixed for May 29, 2025 in which Mr. Saeed Alam, being one of the Respondents, appeared in his personal capacity and also on behalf of the remaining Respondents as their Authorized Representative and, *inter-alia*, submitted that:

- (i) *Company's operations have been halted/ shut since 2015 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) *The Company is also facing a pending litigation at the Hon. High Court level 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;*
- (iv) *The trading in the shares of the Company at PSX has been suspended for many years on account of being placed at the defaulter counter of the PSX. The Company also filed an application of delisting from Pakistan Stock Exchange but later withdrew the same as the cost of de-listing was not bearable for the Company;*

*# confirmed
29-05-2025*

- (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.*

9. I have gone through the relevant provisions of regulations 6(1) and 27(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 Respondents. 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 and to constitute an audit committee with an independent director as its chairman 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 relating to potential restructuring, compliance, or delisting are made with objectivity and free from undue influence.

10. It is also observed that the mandatory composition of BAC is crucial for strengthening financial oversight and transparency and to ensures that it operates independently from management. Such a composition of BAC is significant for improving corporate governance by ensuring robust oversight of financial reporting and audits, reducing the risk of fraud or misrepresentation, and boosting investor confidence. It is also observed that the independent director acts as a safeguard against potential conflicts of interest and his presence ensures that decisions made by BAC are impartial and in the best interest of shareholders.

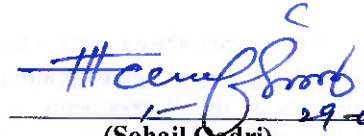
11. In a judgment passed by the Appellate Bench of the Commission in the matter of *Tandlianwala Sugar Mills Limited vs. Director/HoD Adjudication-I* (Appeal No. 85 of 2022), it was held that "The use of word 'mandatory' in regulation leaves no room for any ambiguity"— "This principle clearly affirms 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.

12. In view of the above, the aforesaid contravention with the requirements of regulations 6 and 27 of the CCG Regulations at relevant point in time have been established beyond doubt and the same have been admitted by the Respondents 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 but the same doesn't absolve the Respondents 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. 19,000/- (Pak Rupees Nineteen Thousand Only)** on the Respondents in the following manner:

Sr. #	Name of Respondents	Penalty (Rs.)
1.	Mr. Aftab Alam, Chairperson/Director	2,000
2.	Mr. Rauf Alam, CEO/Director	2,000
3.	Mr. Saeed Alam, Director	2,000
4.	Mr. Faraz Alam, Director	2,000
5.	Mr. Ashhar Alam, Director	2,000
6.	Mr. Jamal Alam, Director	2,000
7.	Mrs. Shabana Aftab, Director	2,000
8.	M/s. Fateh Sports Wear Limited	5,000
	Total Amount	19,000

13. Furthermore, in exercise of powers conferred under Section 475 of the Act read with S.R.O 1545(I)/2019 dated December 06, 2019, the Respondents are DIRECTED to induct necessary number of independent directors in the BOD of the Company within a period of sixty (60) days from the date of this Order. The Respondents are further directed to report compliance of this direction to the Commission within the stipulated time without fail. The Respondents are also advised to remain careful in the future and ensure meticulous compliance with the provisions of law effectively and efficiently.

14. The Respondents 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) 29-05-2025
Director/ Head of Department
Adjudication Department-I

Announced:

Dated: May 29, 2025

Islamabad.