

Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Hascol Petroleum Limited

Dates of Hearing

January 28, 2021

Order-Redacted Version

Order dated March 15, 2021 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Hascol Petroleum Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated January 4, 2021
2. Name of Company	Hascol Petroleum Limited
3. Name of Individual*	The proceedings were initiated against the board of directors and the Company i.e. Hascol Petroleum Limited
4. Nature of Offence	Violation under section 217 read with section 219 and section 479 of the Companies Act 2017 for not maintaining separate bank account in case of security deposits.
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have gone through the fact of the case, submissions made by the Authorized Representative and relevant provision of the Act. In this regard, the matter is given in the following manner:</p> <p>(a) It is relevant here to refer to the auditor's observation for non-compliance of the requirements of section 217 of the Act, as given in their management letter dated July 15, 2020, which is given as below: <i>"The Company has not maintained separate bank accounts as required by the aforesaid section in respect of short-term deposits from dealers which amounted to Rs. 421 million (2018: Rs. 310 million) at December 31, 2019. We recommend that the Board should ensure that management is compliant with the provisions of the Companies Act, 2017"</i>. Moreover, the Auditor of the Company vide their management letters dated April 3, 2019 and August 29, 2019, highlighted the same non-compliances for the respective periods.</p> <p>(b) As per Accounts of the Company for the year ended December 31, 2019, relevant note 26.2 disclosed security deposits of Rs. 421.407 million (2018: Rs. 309.905 million) along with</p>

following details: *“The security deposits are non-interest bearing and are refundable on the termination of contracts. These security deposits are not kept in separate bank account since the Company can utilize these funds as per terms of the agreements.”*

(c) The Company has not furnished total number of agreements against which such security deposits were obtained as the same agreements were of different tenors as highlighted during the hearings.

(d) As per the disclosures given in Accounts of 2019, the security deposits comprised of dealers and customers security deposits, however, the reply of the Company and the resolution of the directors have highlighted the matter of compliance of the Act for dealers related deposits only and in this regards for customers’ related security deposits separate details and number of such customers were not provided.

2. I, am of the view that as per the provisions of section 217 of the Act, these security deposits are required to be kept in the separate bank account maintained in the scheduled bank. The purpose of the aforesaid provision is to ensure that the money provided by the customers is kept segregated and is traceable and to be utilized as per the contracts or agreements. As per Accounts of the Company for the years ended 2017, 2018 and 2019, dealers’ and customers’ security deposits of Rs. 254.680 million, Rs. 309.905 million and Rs. 421.407 million were disclosed respectively. The Company, however, by not keeping the aforesaid security deposits in a separate bank account maintained in a scheduled bank was in persistent default in terms of section 217(2) of the Act for the given years. I, have also noticed that the board of directors of the Company, in their board meeting held on January 29, 2021, i.e. subsequent to issuance of SCN has initiated the process of compliance of section 217(2) of the Act. The aforesaid is admission of non-compliance with the provisions of section 217(2) of the Act.

3. In view of the foregoing, I am of the view, that the Respondents breached the provisions of section 217(2) of the Act by not keeping the security deposits in the separate bank account. I, therefore, in exercise of powers conferred under section 219 of the Act impose penalty of Rs. 20,000/- (Rupees Twenty Thousand only) on the Respondent Company.

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

	Penalty order dated March 15, 2021 was passed by Executive Director (Adjudication-I).
6. Penalty Imposed	A Penalty of Rs. 20,000/- (Rupees Twenty Thousand only) was imposed on the Respondent Company.
7. Current Status of Order	Penalty was deposited. No Appeal has been filed by the respondents.