

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

In the matter of Show Cause Notice issued to Olympia Mills Limited

Dates of Hearings	May 5, 2020, May 12, 2020, September 22, 2020, February 25, 2021, March 10, 2021, March 19, 2021 and April 9, 2021
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Order-Redacted Version

Order dated April 27, 2021 was passed by Director/Head of Department (Adjudication-I) in the matter of Olympia Mills Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated November 22, 2019
2. Name of Company	Olympia Mills Limited
3. Name of Individual*	The proceedings were initiated against the directors of the Company i.e. Olympia Mills Limited
4. Nature of Offence	Violation under Section 217 read with Section 219 and 479 of the Companies Act, 2017
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have gone through the fact of the case, submission made by the Authorized Representative and relevant provisions of the Act. In this regard, following has been observed:</p> <p>(a) It is relevant to refer to note 10 and 10.2 of the financial statements of the Company for the year 2017 which are given as below:</p> <p><i>Rent Deposits: Rs. 7,456,750 (2017) Rs. 300,000 (2016)</i></p> <p><i>10.2: These deposits are under the term of tenancy agreement.</i></p> <p>The aforesaid notes clearly depict that these are deposit under the term of tenancy agreement and falls within the purview of Section 217 of the Act.</p> <p>(b) The stance of the Authorized Representative that Section 217 of the Act is not applicable to amount received as security against renting out of premises, whereas when the security deposit is received as part of company's main business, then provisions of</p>

	<p>law would be applicable. In this regard, I, am of the view that as per the provisions of Section 217 of the Act, these deposits clearly fall within the purview of Section 217 of the Act and 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/tenants is kept segregated and is traceable and to be utilized as per the terms of contracts/agreements. As per Accounts of the Company for the years ended 2017, rent deposits of Rs. 7 million were disclosed. Moreover, till financial year 2018, the Company was having security or deposits of Rs. 9.557 million. The Company, however, by not keeping the aforesaid security or 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 period of time. I, have also noticed that no step with regard to compliance has been taken by the Respondents. The aforesaid transpires that violation of Section 217(2) of the Act is attracted.</p> <p>(c) I, am of the view during the course of the aforesaid proceedings, the Authorized Representative was advised to provide the copies of tenancy agreements; however the same were not shared. Moreover, the Authorized Representative through letter dated December 6, 2019 stated that: <i>"It is part of the understanding with our tenants that the Company can utilize the deposits towards maintenance and any other charges. We can submit letters from tenants for utilization of their deposits, if required by Commission."</i> It is however observed that no such letters are submitted by the Authorized Representative during the course of said proceedings. I am of the view that the stance of the Respondents is not tenable and the Company has not kept these deposits in separate bank accounts thereby violated the provision of Section 217(2) of the Act.</p> <p>Keeping in view a penalty of Rs. 20,000/- (Rupees twenty thousand only) was imposed on ***, chief executive. I, also warn other Respondents to be careful.</p> <p>Penalty order dated April 27, 2021 was passed by Director (Adjudication-I).</p>
6. Penalty Imposed	A Penalty of Rs. 20,000/- (Rupees twenty thousand only) was imposed on chief executive and warn other Respondents to be careful.
7. Current Status of Order	No Appeal has been filed by the respondents till date.