



Corporate Supervision Department  
Company Law Division

Before Amina Aziz – Director

*In the matter of*

**Pakistan PVC Limited**

**ORDER**

Number and date of notice: CSD/ARN/459/2017-3333-39 dated April 13, 2017  
Date of hearing: May 18, 2017  
Present: Mr. Arif Shafi,  
Mr. Asif Shafi  
Muhammad Shaffi

**UNDER SECTION 226 READ WITH SECTION 229 AND SECTION 476 OF THE COMPANIES  
ORDINANCE, 1984**

This order shall dispose of the proceedings initiated against the directors including the Chief Executive (the “respondents”) of Pakistan PVC Limited (“Company”). These proceedings were initiated through show cause notice (“SCN”) dated April 13, 2017 under the provisions of section 226 read with section 229 and section 476 of the Companies Ordinance 1984 (the “Ordinance”).

2. The brief facts of the case are that examination of the annual audited accounts of the Company for the year ended June 30, 2016 (the “Accounts”) reveals that, the auditor of the Company namely Mushtaq & Co. Chartered Accountants has given a disclaimer of opinion in its audit report on account of various issues including the one given hereunder:

*“Deposits from customers amounting to Rs. 281,500 have not been kept in a special bank account as against the requirements of Section 226 of the Ordinance. However, any potential liability that may arise as a result of this continued non-compliance cannot presently be estimated, therefore, no effect for the same in these financial statements has been taken.”*

3. On an inquiry in this regard, the Company vide its letter dated February 4, 2017 has submitted as under:

*The deposits from customers were not kept in a separate bank account by the previous management. We have started transferring the same in a separate bank account as shown in note 16 to the Accounts. The balance will be transferred as and when our cash flow allow the same.*



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4. In view of the above, prima facie, the Company has contravened the provisions of Section 226 of Ordinance as it was not maintaining special account with schedule bank for security deposits which attracts the penal provisions of Section 229 of the Ordinance. Consequently, the SCN was issued to the respondents requiring them to show cause in writing as to why penal action may not be taken against them in terms of Section 229 of the Ordinance. The respondents vide letter dated April 28, 2017 requested for a personal hearing.

5. The authorized representatives Mr. Arif Shafi, Mr. Asif Shafi and Muhammad Shaffi appeared in the office of the Commission on May 18, 2017 and submitted that the Company can utilize security deposit according to contract in writing with the tenants. As at May 18, 2017 total security deposit from customer is Rs. 260,500 out of which Rs. 236,500 can be utilized by the Company as per agreements and remaining is invested in defence saving certificates.

6. Before proceeding further, it is necessary to advert to the following relevant provisions of Ordinance:

*Section 226 of the Ordinance, inter alia, provides that no company, and no officer or agent of a company, shall receive or utilise any money received as security or deposit, except in accordance with a contract in writing; and all moneys so received shall be kept or deposited by the company or the officer or agent concerned, as the case may be, in a special account with a scheduled bank:*

*Provided that this section shall not apply where the money received is in the nature of an advance payment for goods to be delivered or sold to an agent, dealer or sub-agent in accordance with a contract in writing.*

*Section 229 of the Ordinance provides that whoever contravenes or authorises or permits the contravention of any of the provisions of section 226 or section 227 or section 228 shall be punished with a fine which may extend to five thousand rupees and shall also be liable to pay the loss suffered by the depositor of security or the employee on account of such contravention.*

In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 229 of the Ordinance have been delegated to the Director (Corporate Supervision Department).

7. I have analyzed the facts of the case, relevant provisions of the Ordinance, arguments put forth by the respondents during the hearing, and observed that the purpose of Section 226 of the



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Ordinance is to protect funds of the depositors and the companies can receive money as security or deposit through contract in writing and the money so received shall be kept in a special account maintained by the company with a scheduled bank, further the company can only utilize money received as security or deposit, with the consent of depositor through contract in writing. The Company failed to keep a special account for the purpose of section 226 of the Ordinance, however the deposits are received and utilized in accordance with the contract in writing. Therefore, I am taking a lenient view and the case is hereby disposed of with warning to the respondent to be careful in future regarding compliance with applicable legal framework.

**Amina Aziz**  
Director

**Announced:**  
June 1, 2017  
Islamabad

