

Before
Amir M. Khan Afridi, Director/Head of Department

In the matter of

WorldCall Telecom Limited

Dates of Hearings

February 15, 2022 and March 15, 2022

Order-Redacted Version

Order dated May 31, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of WorldCall Telecom Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show Cause Notice dated December 30, 2021
2. Name of Company	WorldCall Telecom Limited
3. Name of Individual*	The proceedings were initiated against the Company.
4. Nature of Offence	<p>Upon review of the annual audited financial statements (the Accounts) of the Company for the year ended December 31, 2019 (FY2019), it was transpired that the Company has Security Deposits of Rs. 105 million (Rs. 93.5 million in 2018) as referred to in Note 16 and Rs. 35.13 million (Rs. 35.13 million in 2018) as referred to in Note 18 of the Accounts, respectively. Note 16 to the aforesaid accounts further disclosed that: <i>"This represents the security deposit pursuant to the agreement for selling and distributing the Company's products and services for three years commencing from June 09, 2017. Security deposit is refundable / adjustable within one month of expiry of term of the agreement."</i> Moreover, in note 18.3 to the aforesaid Accounts, the Company has disclosed that: <i>"These represent security deposits received from customers. These are interest free and refundable on termination of relationship with the Company. The relationship of these customers with the company has ended and these deposits are now payable on demand. These have been utilized by the Company before promulgation of Companies Act, 2017."</i></p> <p>2. Keeping in view the fact that the Company, <i>prima facie</i>, found non-compliant with Section 217 of the Companies Act, 2017 (the Act) which requires to keep deposits in a separate bank account, and allows usages of these deposits as per the terms of written contract, therefore, proceedings under Section 217 of the Act and Sections 219 and 479 were initiated through the show cause notice (SCN) against the Respondent.</p>
5. Action Taken	Key findings are given as hereunder:

	<p>I have gone through the facts of the case, submissions made by the Representative and relevant provision of the Act and observed that:</p> <ul style="list-style-type: none"> (i) one of the main arguments raised by the Representative is that this amount is in the nature of the advance and not the security deposit; (ii) the Respondent Company did not furnish any evidence despite passage of sufficient time that the aforesaid security deposits were in accordance with the contractual agreements and the said security deposits were utilized through separate bank account. <p>In this regard, it is stated that the said deposits cannot be termed as an advance against sale of goods or provision of services in the ordinary course of business, and therefore the stance of the Representative is not acceptable.</p> <p>In view of the foregoing, I am of the view that the *** has breached the provisions of Section 217 of the Act by not depositing the security deposits in a separate bank account. I, therefore, in exercise of the powers conferred under Section 219 of the Act impose penalty of Rs. 10,000/- (Rupees Ten Thousand only) on the ***</p> <p>The aforesaid fines must be deposited in the designated bank account maintained with MCB Bank Limited in the name of the Securities and Exchange Commission of Pakistan within thirty days of the date of this order and furnish receipted bank vouchers to the Commission. In case of non-deposit of the said penalty, proceedings under Section 485 of the Act will be initiated for recovery of the same as arrears of land revenue.</p> <p>Nothing in this Order may be deemed to prejudice the operation of any provision of the Regulations/Act providing for imposition of penalties in respect of any default, omission or violation of the Regulations/Act.</p>
6. Penalty Imposed	Rs. 10,000/-
7. Current Status of Order	The penalty was deposited. No appeal was filed.