

F.No:9/33/ADJ/SEC.203 of 2013/KARNATAKA/RD(SER)/2023

16545

BEFORE THE REGIONAL DIRECTOR, SOUTH EAST REGION

MINISTRY OF CORPORATE AFFAIRS, HYDERABAD

IN THE MATTER OF COMPANIES ACT, 2013

IN THE MATTER OF CEETA INDUSTRIES LIMITED

1. M/s. Ceeta Industries Limited
2. Mr. Krishna Murari Poddar, Managing Director

Appellants

Date of hearing: 05.01.2024
Present: Mr. Mahaveer Jain, PCS

ORDER

This is an appeal filed under section 454(5) of the Companies Act, 2013 by the above appellants in e-form ADJ vide SRN F78721529 dated 07.11.2023 against the adjudication order No. ROC(B)/Adj.Ord 454-203/CEETA/Co.No.21494/2023/ dated 13.10.2023 under section 454 passed by the Registrar of Companies, Karnataka for default in compliance with the requirements of Section 203 read with Rule 8A of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

2. Registrar of Companies in his order of adjudication has stated that it is noticed from the application and records of the company that after the resignation of J Patnaik as the Company Secretary on 01.08.1999, the company did not have company secretary till the appointment of Dhruva Chandra Saboo on 01.07.2001, thereby violating the relevant provisions of the Act from 02.08.1999 to 30.06.2001 i.e. 699 days. Further, after the resignation of Dhruva Chandra Saboo on 01.10.2001, the company did not have company secretary till the date the company was declared as a sick industrial company by the Board for Industrial and Financial Reconstruction (BIFR) on 15.04.2002 under the provisions of the Sick Industrial Companies (Special Provision) Act, 1985 (SICA), thereby violating the relevant provisions of the Companies Act for non-appointment of Company Secretary from 02.10.2001 to 14.01.2002 i.e. 195 days. It has been submitted in the application that the company was declared as a 'Sick

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Industrial Company' by BIFR on 15.04.2002 wherein BIFR was entrusted with the responsibility of the management of the company as per section 13 of SICA and the company was discharged from the purview of SICA/BIFR on 30.05.2012. Further, as per the provisions of section 22 of SICA, there would be suspension of legal proceedings, contracts etc. in respect of an industrial company where a sanctioned scheme is under implementation. Further, at the time of discharged from purview of SICA, company's paid-up capital was reduced to Rs.1,45,02,400/- which was below the threshold limit of Rs.5 crores for appointment of whole time company secretary. Further, the company being a listed company, has not appointed key managerial personnel i.e. whole-time company secretary and chief financial officer w.e.f. 01.04.2013 as required under the provisions of section 203 of the Act. The company secretary was appointed on 01.06.2014 and the chief financial officer on 01.09.2014, thereby violating the provisions of section 203 of the Act from 01.04.2014 to 31.08.2014 i.e., 153 days. Hearing was held before Registrar of Companies on 10.08.2023 and after hearing the authorized representative had levied a penalty of Rs.5.00 Lakhs each on the Company and Mr. Krishna Murari Poddar (total aggregating to Rs.10.00 Lakhs).

3. An opportunity of being heard was given to the Appellants on 05.01.2024. The authorized representative Mr. Mahaveer Jain, Practicing Company secretary appeared on behalf of the appellants and reiterated the submissions made in the appeal and from the grounds of appeal it has been stated that the Petitioner Company had become a sick industrial company and applied to the Board for Industrial and Financial Reconstruction (BIFR) for determination of the measures of a sick industrial company on 21.10.1999 under Sick Industrial Companies (Special Provisions) Act, 1985. The Company was declared as a Sick Industrial Company by BIFR on 15.04.2002. The rehabilitation scheme was sanctioned by BIFR order dated 22.11.2005 under which the company was directed to reduce the face value of the equity shares from Rs.10/- to Re.1/- by write off of equity share capital against accumulated losses and issue additional equity shares of 72,00,000 at face value Re.1/-. Further stated that the company forfeited an amount of Rs.91,000/- received towards 18,200 partly paid equity shares and issued the same of Rs.10/- per share to

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new shareholders and accordingly the equity share capital was increased to Rs.73,02,400/-. In the financial year 2006-07, the company reduced the face value of the equity shares of Rs.10/- to Re.1/- by write off of equity shares against accumulated losses and issued additional equity shares 72,00,000 at face value Re.1/- to the promoters as per the BIFR scheme. In the financial year 2008-09 the preference share capital of the company of Rs1,33,00,000/- was redeemed by the company, thereafter the paid up capital of the company was Rs.1,45,02,400/- as on 31.03.2009 which was below the statutory limits mentioned in Section 383A of the Companies Act, 1956. In such scenario, the Board for Industrial and Financial Reconstruction was entrusted with the responsibility of the management of the company and the Board of Directors of the Company was not empowered to appoint the Company Secretary between 15.04.2002 till 30.05.2012, on which date the company was discharged from the purview of SICA/BIFR.

4. Though there is a default committed, there is a ground in interfering with the impugned adjudication order of Registrar of Companies to the extent of reducing the quantum of penalty on the following grounds:

(a) Petitioner Company had become a sick industrial company and applied to the Board for Industrial and Financial Reconstruction (BIFR) for determination of the measures of a sick industrial company on 21.10.1999 under Sick Industrial Companies (Special Provisions) Act, 1985.

(b) The Company was declared as a Sick Industrial Company by BIFR on 15.04.2002. The rehabilitation scheme was sanctioned by BIFR order dated 22.11.2005 under which the company was directed to reduce the face value of the equity shares from Rs.10/- to Re.1/- by write off of equity share capital against accumulated losses and issue additional equity shares of 72,00,000 at face value Re.1/-.

(c) In the financial year 2006-07, the company reduced the face value of the equity shares of Rs.10/- to Re.1/- by write off of equity shares against accumulated losses and issued additional equity shares 72,00,000 at face value Re.1/- to the promoters as per the BIFR scheme.



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(d) In the financial year 2008-09 the preference share capital of the company of Rs1,33,00,000/- was redeemed by the company, thereafter the paid up capital of the company was Rs.1,45,02,400/- as on 31.03.2009 which was below the statutory limits mentioned in Section 383A of the Companies Act, 1956.

(e) In such scenario, the Board for Industrial and Financial Reconstruction was entrusted with the responsibility of the management of the company and the Board of Directors of the Company was not empowered to appoint the Company Secretary between 15.04.2002 till 30.05.2012, on which date the company was discharged from the purview of SICA/BIFR

Hence, taking into consideration the above facts, appeal and submissions made by the authorized representative. I deem it would meet the end of justice if the penalty imposed by Registrar of Companies is reduced to Rs.75,000/- each for the Company and Mr. Krishna Murari Poddar, Managing Director (total aggregating to Rs.1,50,000/-). The appellants are directed to comply with this order and also provisions of Section 454(8) of the Companies Act, 2013 read with Companies (Adjudication of Penalties) Rules, 2014.

5. Accordingly, penalty was paid by the Company and Mr. Krishna Murari Poddar, Managing Director amounting to Rs.75,000/- each (total aggregating to Rs.1,50,000/-) vide SRN's X63893978 and X63895361 dated 08.01.2024 respectively. Accordingly, this order is issued to the Appellants with a copy to Registrar of Companies, Karnataka and Joint Secretary, E-Governance Cell, Ministry of Corporate Affairs, New Delhi for information and necessary action.

Issued under my hand and seal on this the 01st day of February 2024.



(DR. RAJ SINGH)
REGIONAL DIRECTOR (SER)
HYDERABAD

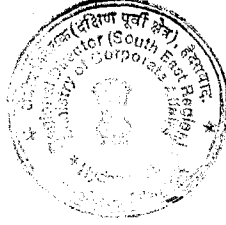
Copy for information and necessary action to

1. M/s. Ceeta Industries Limited
Plot No. 34-38, Kiadb Industrial Area, Sathyamangala,
Tumkur, Tumkur, Bangalore, Karnataka- 572 104.

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2. Mr. Krishna Murari Poddar, Managing Director
10D, Alipore park Place, Kolkata,
West Bengal- 700027.
3. Registrar of Companies, Ministry of Corporate Affairs,
Karnataka, Bangalore.
4. The Joint Secretary, E-Governance Cell, Ministry of Corporate Affairs, New Delhi.



(DR. RAJ SINGH)
REGIONAL DIRECTOR (SER)
HYDERABAD