

F.No:9/37/ADJ/SEC.135 of 2013/ROC(KA)/RD(SER)/2023 /6596
BEFORE THE REGIONAL DIRECTOR, SOUTH EAST REGION
MINISTRY OF CORPORATE AFFAIRS, HYDERABAD
IN THE MATTER OF COMPANIES ACT, 2013

IN THE MATTER OF QUEST GLOBAL ENGINEERING SERVICES PRIVATE LIMITED

1. M/s. Quest Global Engineering Services Private Limited
2. Mr. Praveen Hegde, Company Secretary
3. Mr. Kishore Rao, Director
4. Mr. Raman Subramanian, Director
5. Mr. Shrikant Durga Naik, Director

Appellants

Date of hearing: 04.01.2024
Present: Mr. Joby Chacko, Advocate

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 F88149679 dated 19.12.2023 against the adjudication order No.ROC(B)/Adj.Ord.454-135/Quest Global/Co.No.76219/2023 dated 15.11.2023 under section 454 passed by the Registrar of Companies, Karnataka for default in compliance with the requirements of Section 135 of the Companies Act, 2013.

2. Registrar of Companies in his order of adjudication has stated that the company has filed adjudication application on 10.08.2023 for violation of section 135 of the Act. It is seen that for the financial year 2021-22, the Company ought to have spent Rs.3,50,42,538.39 towards CSR activities. However, it had contributed a sum of Rs.2,29,34,00.39 towards CSR activities and identified an ongoing project and transferred the unspent CSR amount of Rs.1,23,39,138 to a special account opened by the company for this purpose on 25.08.2022 with a delay as the unspent amount pertaining to an ongoing project ought to have been transferred within a period of 30 days from the end of the financial year. Hearing was held before Registrar of Companies on 27.09.2023 and after hearing the authorized representative had levied

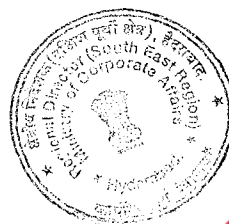
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a penalty of Rs.1,00,00,000/- on the Company and Rs.2,00,000/- each on 4 officers i.e., Mr. Praveen Hegde (Company Secretary), Mr. Kishore Rao (Director), Mr. Raman Subramanian (Director) and Mr. Shrikant Durga Naik (Director) (total aggregating to Rs.6.50 Lakhs).

3. An opportunity of being heard was given to the Appellants on 04.01.2024. The authorized representative Mr. Joby Chacko, Advocate appeared on behalf of the appellants and reiterated the submissions made in the appeal and from the appeal the company has stated that as per the provisions of Section 135 of the Companies Act, 2013 and the Rules made thereunder, the Appellant No.1 Company was required to spend total Corporate Social Responsibility amount of INR 3,50,42,538.39 (Indian Rupees Three Crores Fifty Lakhs Forty-Two Thousand Five Hundred and Thirty Eight Paise Thirty-Nine Only) during the Financial Year 2021-22 (i.e., 2% of the Average Net Profit as per Section 198 of the Companies Act, 2013 made during the immediately Three preceding Financial Years (i.e., 2018-19, 2019-20 and 2020-21) and the Company spent an amount of INR 2,29,34,000.39 (Indian Rupees Two Crores Twenty-Nine Lakh Thirty-Four Thousand Paise Thirty Nine Only) during the financial year 2021-22 (i.e. before March 31, 2022) towards one time CSR activities and on-going projects and balance amount of INR 1,23,39,138/- (Indian Rupees One Crore Twenty-Three Lakh Thirty-Nine Thousand One Hundred and Thirty-Eight Only) pertaining to on-going projects was remaining unspent at end of the Financial Year ended on March 31, 2022.

As per the provisions of section 135(6) of the Act, the Appellant No.1 Company was required to transfer above said unspent Corporate Social Responsibility amount pertaining to on-going projects to special account to be opened in a schedule Bank within 30 days from the end of the Financial Year and April 30, 2022 was the due date to open the special account and transfer the unspent CSR amount. But the Appellant no. 1 Company transferred the above said unspent CSR amount on August 25, 2022 to the Special account opened with schedule bank due to delay in opening of Special Account in the schedule Bank which was beyond 30 days limit prescribed



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under sub-section (6) of Section 135 of the Companies Act, 2013. The appellants submitted that the appellants are always committed to spend Corporate Social Responsibility towards CSR activities within the prescribed time limits and the delay in transferring towards CSR activities within the prescribed time limits and the delay in transferring unspent CSR amount was due to delay in opening the Special Bank account in the schedule Bank which caused the delay in compliance of the provisions of Section 135(6) of the Companies Act, 2013.

Company in its appeal has stated that CSR amount was not utilized for any other purposes other than spending towards Corporate Social Responsibility activities as per the CSR Policy and there is no deviation or utilization of CSR fund towards other activities and the applicants are committed to spend CSR amount towards CSR activities and the delay in compliance is a procedural lapse due to unavoidable circumstances and as soon as the special account is active, the amount has been transferred to the said account and it has been completely spent on ongoing CSR project during the subsequent year. Further stated the said delay in compliance is neither intentional nor wanton and further does not prejudice the interest of the members or creditors or other dealing with the company and declare that the delay do not affect the public interest in any way.

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 due to the following reasons:

(a) The appellants submitted that the appellants are always committed to spend Corporate Social Responsibility towards CSR activities within the prescribed time limits and the delay in transferring towards CSR activities within the prescribed time limits and the delay in transferring unspent CSR amount was due to delay in opening the Special Bank account in the schedule Bank which caused the delay in compliance of the provisions of Section 135(6) of the Companies Act, 2013.

(b) Company in its appeal has stated that CSR amount was not utilized for any other purposes other than spending towards Corporate Social Responsibility activities as per the CSR Policy.

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(c) there is no deviation or utilization of CSR fund towards other activities and the applicants are committed to spend CSR amount towards CSR activities.

(d) delay in compliance is a procedural lapse due to unavoidable circumstances and as soon as the special account is active, the amount has been transferred to the said account and it has been completely spent on ongoing CSR project during the subsequent year.


(e) delay in compliance is neither intentional nor wanton and further does not prejudice the interest of the members or creditors or other dealing with the company and declare that the delay do not affect the public interest in any way.

(f) non-compliance with the provisions of Section 135(6) of the Act were unintentional and without any malafide intention.

5. Taking into consideration the facts of the 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 for the Company to Rs.10,00,000/- and for 4 officers i.e., Mr. Praveen Hegde (Company Secretary), Mr. Kishore Rao (Director), Mr. Raman Subramanian (Director) and Mr. Shrikant Durga Naik (Director) to Rs.20,000/- each (total aggregating to Rs.10,80,000/-). 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.

6. Accordingly, penalty was paid by the Company amounting to Rs.10,00,000/- and 4 officers i.e., Mr. Praveen Hegde (Company Secretary), Mr. Kishore Rao (Director), Mr. Raman Subramanian (Director) and Mr. Shrikant Durga Naik (Director) to Rs.20,000/- each (total aggregating to Rs.10,80,000/-) vide SRN's X65480170, X65706988, X65711202, X65711830 and X65712630 dated 25.01.2024 & 30.01.2024 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. RAL SINGH)
REGIONAL DIRECTOR (SER)
HYDERABAD
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Copy for information and necessary action to :

1. M/s. Quest Global Engineering Services Private Limited
AEQUS Special Economic Zone, No.437/A,
Plot No.2 Hattaragi Village, Hukkeri Taluk,
Belgaum, Karnataka- 591245.
2. Mr. Kishore Rao, Director
No. A-2 Crescent Apartment, No.8-1, Cunningham
Crescent Road, Vasanthnagar Bangalore North,
Bangalore, Karnataka- 560001.
3. Mr. Raman Subramanian, Director
#A-203 Sangeetha Apartments, 5th Cross Next to
Big Bazaar, Malleswaram, Bangalore North
Bangalore, Karnataka- 560003:
4. Mr. Shrikant Durga Naik, Director
D-804, Prestige St. John's Wood, No.80,
St. Johns Cross Road, Chikka Adugodi,
Bangalore, Karnataka-560029
5. Mr. Praveen Hegde, Company Secretary
No.944, Flar No.102, 11th Main Road, Srinivasanagar,
BSK 1st Stage, Bengaluru South, Bangalore,
Karnataka- 560050.
6. Registrar of Companies, Ministry of Corporate Affairs,
Karnataka, Bangalore.
7. The Joint Secretary, E-Governance Cell, Ministry of Corporate Affairs, New Delhi.



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