

F.No:9/09/ADJ/SEC.203/2013/ANDHRA PRADESH /RD(SER)/2023

13322

BEFORE THE REGIONAL DIRECTOR, SOUTH EAST REGION
MINISTRY OF CORPORATE AFFAIRS, HYDERABAD
IN THE MATTER OF COMPANIES ACT, 2013

IN THE MATTER OF PATCHALA SPINTEX PRIVATE LIMITED

1. M/s. Patchala Spintex Private Limited
2. Mr. Chalapathi Rao Patchala, Managing Director

Appellants

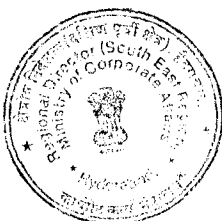
Date of hearing : 18.07.2023
Present : Mr. P Srikant Kumar, PCS

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 F61206645 dated 06.05.2023 against the adjudication order No. ADJ 112/203 of 2022-23/2090 dated 08.09.2022 under section 454 passed by the Registrar of Companies, Andhra Pradesh 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 the company and its officers have failed to appoint Company Secretary as specified in section 203(1) of the Companies Act, 2013 after cessation of the previous Company Secretary on 24.09.2020 to 01.07.2022. Hearing was held before Registrar of Companies on 08.09.2022 and after hearing the authorized representative had levied a penalty of Rs.5.00 Lakhs on the Company and Rs.50,000/- each for 4 directors i.e., Siva Sankara Rao Patchala, Patchala Vijay Lakshmi, Chalapathi Rao Patchala and Krishna Kishore Patchala (total aggregating to Rs.7.00 Lakhs).

3. An opportunity of being heard was given to the Appellants on 18.07.2023. The authorized representative Mr. P Srikant Kumar, Practicing Company Secretary appeared on behalf of the appellants and reiterated the submissions made in the



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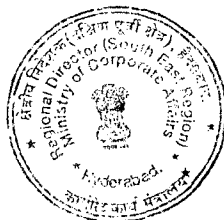
appeal and also submitted that the Company had appointed a Whole Time Company Secretary from 04.08.2020 to 24.09.2020 and company was unable to find and appoint a Company Secretary owing to the location of the registered office of the company at a remote place and subsequent reluctance of the any of the personal to join the company in the said capacity. Further, stated that company is a private limited and there is no injury to the public interest. Despite all these conditions the Company has appointed Ms. Monika Nishant Gattani as Company Secretary of the Company with effect from 01.07.2022 and complied with the provisions of Section 203 of the Companies Act, 2013 and requested to reduce the quantum of penalty as levied by Registrar of Companies with regard to Company and Mr. Chalapathi Rao Patchala, Managing Director and also to waive off the penalty as imposed for 3 directors i.e., Siva Sankara Rao Patchala, Patchala Vijay Lakshmi and Krishna Kishore Patchala.

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 offence was committed by the applicants due to unavoidable circumstances and was not intentional and is not a nature prejudice the interest of the members or creditors and declare that the offence committed by them do not affect the public interest.

(b) The company is in the path of recovery from the economic slowdown faced by the textile industries in the recent past and the applicant is running the business on a nominal margin. The maximum penalty imposed by the Adjudicating officer may impact the working capital needs of the company, resulting in negative cash flows of the company and will be huge burden for the company and its directors.

(c) The Registrar of Companies have not taken into consideration the facts that the Company is having a Managing Director, hence other non-executive director should not have been penalized

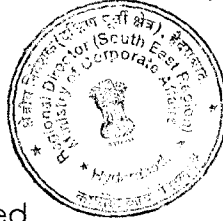


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Taking into consideration the facts of the appeal and submissions made by the authorized representative and also considering the size of the company, I deem it would meet the end of justice if the penalty imposed by Registrar of Companies is reduced for the Company to Rs.1,00,000/- and for Mr. Chalapathi Rao Patchala, Managing Director to Rs.20,000/- (total aggregating to Rs.1,20,000/-) and no penalty imposed for 3 non-executive directors i.e., Siva Sankara Rao Patchala, Patchala Vijay Lakshmi and Krishna Kishore Patchala as the Company is having a Managing Director who looks after the job of day-to-day activities. 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 amounting to Rs.1,00,000/- and by Mr. Chalapathi Rao Patchala, Managing Director to Rs.20,000/- (total aggregating to Rs.1,20,000/-) vide SRN's X48072524 and X48075295 dated 27.07.2023 respectively. Accordingly, this order is issued to the Appellants with a copy to Registrar of Companies, Andhra Pradesh 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 21st day of August 2023.




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

1. M/s. Patchala Spintex Private Limited
D.No.23, B-2, Venkatesam, 2nd Line, Main Road,
Brundavan Gardens, Guntur, Andhra Pradesh- 522007.
2. Mr. Chalapathi Rao Patchala, Managing Director
D.No.4-19-135/1/B, 4/5, Vidya Nagar,
Guntur, Andhra Pradesh- 522007.
3. Registrar of Companies, Ministry of Corporate Affairs,
Andhra Pradesh, Vijayawada.
4. The Joint Secretary, E-Governance Cell, Ministry of Corporate Affairs, New Delhi.