

1393

F.No:9/123/ADJ/SEC.203/2013/ANDHRA PRADESH /RD(SER)/2022/1393
BEFORE THE REGIONAL DIRECTOR, SOUTH EAST REGION
MINISTRY OF CORPORATE AFFAIRS, HYDERABAD
IN THE MATTER OF COMPANIES ACT, 2013

IN THE MATTER OF CHOWDARY SPINNERS PRIVATE LIMITED

1. Chowdary Spinners Private Limited
2. Chitturi Venkata Vara Prasad Chowdary, Managing Director
3. Nandina Srirama Krishna Rao, Whole-time Director
4. Nalla Ganesh, Director, Whole-time Director

Appellants

Date of hearing : 09.02.2023

Present : C V Vara Prasad Chowdary, Managing Director

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 F46179917 dated 21.11.2022 against the adjudication order No. ROC(V)ADJ(454)/Sec.203(5)/2022-232/1986 dated 07.09.2022 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 has failed to appoint Whole Time Company Secretary as specified in section 203(1) of the Companies Act, 2013 after cessation of the previous Company Secretary on 30.10.2019. Hearing was held before Registrar of Companies on 07.09.2022 and after hearing the authorized representative had levied a penalty of Rs.5.00 Lakhs on the Company and Rs.0.50 Lakhs each for Chitturi Venkata Vara Prasad Chowdary, Managing Director, Srirama Krishna Rao Nandina, Whole Time Director, Nalla Ganesh, Whole Time Director, Nandigam Sudhakar, Director and Sairam Reddy Gaddam, Director (total aggregating to Rs.7.50 Lakhs).

3. An opportunity of being heard was given to the Appellants on 09.02.2023. The authorized representative C V Vara Prasad Chowdary, Managing Director appeared on behalf of the appellants and reiterated the submissions made in the appeal and also submitted that the company has appointed a Company Secretary way back in

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June 2019 to meet the stipulation of Section 203 of the Companies Act, immediately after 4 months of appointment i.e. in October 2019, the said Company Secretary had resigned from the post unable to cope with the climate and due to unwillingness to be part of the rural background and conditions of the company's remote rural location. Since the exit of the Company Secretary in October, 2019 the company has been searching for appointment of a Whole Time Company Secretary but none of the candidates that the company had interviewed were interested to join the company as the company is located in a rural area with less facilities and as such the scope of work is very limited. Despite all these conditions the Company has appointed Falguni Agarwal as Company Secretary of the Company with effect from 06.09.2022 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 Chitturi Venkata Vara Prasad Chowdary, Managing Director, Srirama Krishna Rao Nandina, Whole Time Director and Nalla Ganesh, Whole Time Director and to waive off the penalty levied against the other two directors i.e. Nandigam Sudhakar and Sairam Reddy Gaddam.

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) due to Covid-19 pandemic, Company was unable to appoint Whole Time Company Secretary as none shown interest despite company's effort during that period.

(b) Company registered office is situated in remote place in Andhra Pradesh

(c) company is private limited and there is no injury to the public interest.

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

(e) Registrar of Companies passed the adjudication order without taking into consideration any of the above facts as evident from his order dated 07.09.2022



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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 Company to Rs.1,00,000/- and for Chitturi Venkata Vara Prasad Chowdary, Managing Director, Srirama Krishna Rao Nandina, Whole Time Director and Nalla Ganesh, Whole Time Director amounting to Rs.50,000/- each (total aggregating to Rs.2,50,000/-) and penalty imposed by Registrar of Companies for the other two directors i.e. Nandigam Sudhakar and Sairam Reddy Gaddam is waived off as the Company is having a Managing Director and Whole Time Directors who looks after the job of day to day activities. The appellants are directed to comply with this order 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 for Chitturi Venkata Vara Prasad Chowdary, Managing Director, Srirama Krishna Rao Nandina, Whole Time Director and Nalla Ganesh, Whole Time Director amounting to Rs.50,000/- each (total aggregating to Rs.2,50,000/-) vide SRN's X36484681, X36485787, X36487049 and X36484996 dated 24.02.2023 respectively. Accordingly, this order is issued to the Appellant Company 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 27th day of May 2023.

M/s. Chowdary Spinners Private Limited
#1-16881-168/1, Chivatamundrajavaram Mandal,
Tanuku, West Godavari, Andhra Pradesh- 534211



B. Mohanty
(B. MOHANTY)
REGIONAL DIRECTOR (SER)
HYDERABAD

Copy for information and necessary action to :

1. Registrar of Companies, Ministry of Corporate Affairs,
Andhra Pradesh, Vijayawada.
2. The Joint Secretary, E-Governance Cell, Ministry of Corporate Affairs,
New Delhi.