

**F.No:9/106/ADJ/SEC.203/2013/ANDHRA PRADESH /RD(SER)/2022 /454**  
**BEFORE THE REGIONAL DIRECTOR, SOUTH EAST REGION**  
**MINISTRY OF CORPORATE AFFAIRS, HYDERABAD**  
**IN THE MATTER OF COMPANIES ACT, 2013**

**IN THE MATTER OF MANGALAGIRI TEXTILE MILLS PRIVATE LIMITED**

1. M/s. Mangalagiri Textile Mills Private Limited
2. Goli Nagasaina Rao, Managing Director
3. Madhusudhana Rao Thiruveedula, Additional Director

Appellants

Date of hearing : 08.02.2023  
Present : Sudhakar Reddy, 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 F40647125 dated 05.11.2022 against the adjudication order No. ADJ/107/203 of 2022-23/2029 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 has failed to appoint Whole Time Company Secretary since the applicable provisions of the Act came into force to till the date of passing adjudication order, despite the paid-up capital of the Company exceeded the prescribed limits as stated in the provisions of Section 203(1) of the Companies Act, 2013. Hearing was held before Registrar of Companies on 08.09.2022 and after hearing the authorized representative had levied a penalty on the Company for Rs.5,00,000/-, Goli Nagasaina Rao, Managing Director and Madhusudhana Rao Thiruveedula, Additional Director amounting to Rs.50,000/- each (total aggregating to Rs.6,00,000/-)

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3. An opportunity of being heard was given to the Appellants/authorized representative on 07.02.2023. The authorized representative Mr. Sudhakar Reddy, Advocate appeared on behalf of the appellants and reiterated the submissions made in the appeal and also submitted that the company being in-operative since 2018 and incurred losses since 2016 and became sick company and operations of the company was shut down. Location of the registered office of the Company is situated in a remote place. State Bank of India filed an application with the Hon'ble National Company Law Tribunal (NCLT), Amaravathi to initiate Corporate Insolvency Resolution Process (CIRP) against the Company on 31.05.2022. As per the statement of profit & loss account for the year ending 31.03.2020, 31.03.2021 and 31.03.2022 is showing a negative balance of Rs.4,44,13,509/-, Rs.4,40,71,365/- and Rs.6,81,59,000/- respectively. Reluctance of any of the personal to join the Company in the said capacity is due to the above said reasons. The Company is having a Managing Director who looks after the day-to-day activities of the Company. Whereas, penalty imposed on non-executive directors also. The maximum penalty imposed by the Adjudicating Officer may impact further and create more loss for the Company and huge burden for the Directors and shall demotivate the said personal from actively carrying out the activities of the Company. The non-compliance of the provisions of Section 203(1) of the Act is not intentional but due to unavoidable circumstances and factors beyond the control of the Directors and the Company. The said default will not affect the public interest in any way, and no harm is caused to the public interest. Authorised representative has requested to waive the penalty as imposed by the Adjudicating Officer vide its order dated 08.09.2022 on the applicant Company and its directors.

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 waiving off the penalty due to the following reasons:

(a) The Company is incurred losses since 2016 and since 2018 it is in operation and became sick and shut down its operations.

(b) location of the registered office of the Company is situated in a remote place



(c) State Bank of India has filed an application with the Hon'ble National Company Law Tribunal (NCLT), Amaravathi to initiate Corporate Insolvency Resolution Process (CIRP) against the Company on 31.05.2022

(d) As per the statement of profit & loss account for the year ending 31.03.2020, 31.03.2021 and 31.03.2022 is showing a negative balance of Rs.4,44,13,509/-, Rs.4,40,71,365/- and Rs.6,81,59,000/- respectively

(e) Company having a Managing Director where as penalty imposed on the non-executive directors also

(f) At this juncture none will show interest to work as a Whole Time Company Secretary in this Company.

(g) the said default will not affect the public interest in any way, and no harm is caused to the public.

(h) Registrar of Companies passed the Adjudication Order in a mechanical manner without taking into consideration any of the above facts as evident from his order dated 08.09.2022

5. Taking into consideration the facts of the appeal and submissions made by the authorized representative and the reasons as states by the undersigned at para 4 above, the Adjudication Order passed by the Registrar of Companies dated 08.09.2022 is set aside and matter is returned back to Registrar of Companies advising to re-examine the issues in totality and pass fresh order by taking the above facts into consideration before passing adjudication order and imposing penalty on the Company and its defaulting officers. Accordingly, adjudication order passed by Registrar of Companies dated 08.09.2022 is hereby disposed off.




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6. 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.

7. The Appellant Company is directed to file a copy of this order with Registrar of Companies, in Form INC-28 within 30 days.

Issued under my hand and seal on this the 21<sup>st</sup> day of April 2023.

  
(B. MOHANTY)  
REGIONAL DIRECTOR( SER)  
HYDERABAD

Copy for information and necessary action to :

1. M/s. Mangalagiri Textile Mills Private Limited  
Chinakakani Village, Mangalagiri Mandal,  
Guntur District-522 503, Andhra Pradesh.
2. Mr. Goli Nagasaina Rao,  
H.No.2-2-647/276, CE Colony,  
Bagh Amberpet, Srinivasa Nagar Colony,  
Hyderabad-500 013, Telangana.
3. Mr. Madhusudhana Rao Thiruvedula,  
D.No.5-503K, Koppuravu Colony,  
Near BC Hostel, Mangalagiri,  
T.B. Sanitorium, Guntur,  
Andhra Pradesh-522 503.
4. Registrar of Companies, Ministry of Corporate Affairs,  
Andhra Pradesh, Vijayawada.
5. The Joint Secretary, E-Governance Cell, Ministry of Corporate Affairs, New Delhi.

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