

F.No:9/104/ADJ/SEC.203/2013/ANDHRA PRADESH /RD(SER)/2022 / 552

**BEFORE THE REGIONAL DIRECTOR, SOUTH EAST REGION
MINISTRY OF CORPORATE AFFAIRS, HYDERABAD
IN THE MATTER OF COMPANIES ACT, 2013
IN THE MATTER OF MITTAPALLI SPINNERS PRIVATE LIMITED**

1. M/s. Mittapalli Spinners Private Limited
2. Chakravarthi Srinivasa Mittapalli, Managing Director
3. Venkata Koteswara Rao Mittapalli, Wholetime Director
4. Mittapalli Ramesh Babu, Director
5. Bheemeswara Venkata Satya Narayana Mittapalli, Director
6. Sairam Reddy Gaddam, Director
7. Mittapalli Kishore Kumar, Director
8. Madhu Raghunayakula, Director

Appellants

Date of hearing : 07.02.2023
Present : Shaik Razia, 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 F40359333 dated 05.11.2022 against the adjudication order No. ADJ 110/203 of 2022-23/2056 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 as specified in section 203(1) of the Companies Act, 2013 after cessation of the previous Company Secretary on 15.09.2021 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, Venkata Koteswara Rao Mittapalli, Whole Time Director, Chakravarthi Srinivasa Mittapalli, Managing Director, Mittapalli Ramesh Babu, Bheemeswara Venkata Satya Narayana Mittapalli, Sairam Reddy Gaddam, Mittapalli Kishore Kumar and Madhu Raghunayakula, Directors (total aggregating to Rs.8.50 Lakhs).



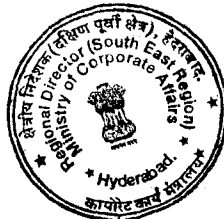
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3. An opportunity of being heard was given to the Appellants on 07.02.2023. The authorized representative Mr. Shaik Razia, Practicing Company Secretary appeared on behalf of the appellants and reiterated the submissions made in the appeal and also submitted that the Company has appointed a Whole Time Company Secretary w.e.f. 01.02.2020. However, he had tendered his resignation with effect from 15.09.2021 citing personal reasons. The Company has tried its best to find a suitable candidate for the position of Company Secretary. However, owing to the scarcity of qualified Company Secretaries in and around Narsaraopet, Andhra Pradesh, the company could not appoint one till 30.06.2022. Also after the pandemic caused by Covid-19, company has been facing various challenges. Consequently, among the candidates who have consented for relocation to remote area for appointment as Company Secretary in the company demanded a higher pay scale (above and beyond industry standards) which is not feasible for the company to fulfill considering the present scenarios. The difficulties in finding a suitable candidate was increased manifold due to the uncertainty prevailing due to the Covid-19 pandemic. Despite all these conditions the Company has appointed Mr. Raja Gopal Baribaddala 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 for Whole Time Director and Managing Director and also requested to waive of the penalty of Directors as imposed by Registrar of Companies.

Further, stated that the Hon'ble Supreme Court vide its Order dated 23.09.2021 has extended the limitation period from 15.03.2020 to 02.10.2021 and requested to exclude this time period from the violation period and not to consider the same as violation during the aforesaid period.

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) pandemic caused by Covid-19, company has been facing various challenges



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(b) consequently, among the candidates who have consented for relocation to remote area for appointment as Company Secretary in the company demanded a higher pay scale (above and beyond industry standards)

(c) imposing maximum penalty by the Registrar of Companies on the company, its Managing Director and other directors is harsh, burdensome on the Company.

(d) Registrar of Companies have not taken into consideration all the above issues and when Company is having a Managing Director, other non-executive directors should not have been penalized.

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.4,00,000/- and for 2 appellants i.e., Chakravarthi Srinivasa Mittapalli, Managing Director and Venkata Koteswara Rao Mittapalli, Wholetime Director to Rs.50,000/- each (total aggregating to Rs.5,00,000/-) and no penalty was imposed on 5 directors i.e., Mittapalli Ramesh Babu, Bheemeswara Venkata Satya Narayana Mittapalli, Sairam Reddy Gaddam, Mittapalli Kishore Kumar and Madhu Raghunayakula 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 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.4,00,000/-, Chakravarthi Srinivasa Mittapalli, Managing Director and Venkata Koteswara Rao Mittapalli, Wholetime Director to Rs.50,000/- each (total aggregating to Rs.5,00,000/-) vide SRN's X35978279, X35978576 and X35979749 dated 17.02.2023 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 25th day of April 2023.



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

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1. Mittapalli Spinners Private Limited
18-2-65, Kota Bazar, Narasaraopet,
Andhra Pradesh- 522601
2. Registrar of Companies, Ministry of Corporate Affairs,
Andhra Pradesh, Vijayawada.
3. The Joint Secretary, E-Governance Cell, Ministry of Corporate Affairs, New Delhi.

