

**BEFORE THE NATIONAL COMPANY LAW TRIBUNAL
BENGALURU BENCH
T.P.NO. 191/2016
IN
C.A.NO. 243/2015**

DATED: MONDAY THE 19TH DAY OF JUNE 2017

***PRESENT: SHRI RATAKONDA MURALI, MEMBER JUDICIAL
SHRI. ASHOK KUMAR MISHRA, MEMBER TECHNICAL***

**IN THE MATTER OF COMPANIES ACT, 2013
SECTION 621A UNDER SECTION 227(3) (a) OF THE COMPANIES ACT, 1956
AND**

IN THE MATTER OF B.M.M. ISPAT LIMITED

T.P.NO. 191/2016 IN C.A.NO. 243/2015

1. Sri Pradip Kumar Jain- Chartered Accountant,
No.11/1, RASHAK,
1ST Floor, North Public Square Road,
Basavanagudi,
Bangalore-560004.

- **APPLICANT**

PARTIES PRESENT:

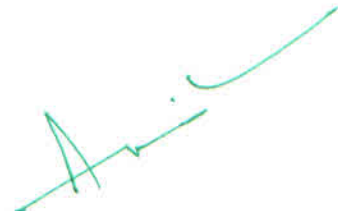
Mr. A.M.Sridharan, Advocate and Authorised
representative for the Applicant.

Heard on: 28/10/2016, 22/11/2016, 14/12/2016, 18/01/2017, 31/01/2017,
01/03/2017 and 20/04/2017.

ORDER

The Application was originally filed before the Company Law Board, Southern Region, Chennai under Section 621A of the Companies Act, 1956 for the purpose of compounding for violation of provisions of Section 227(3)(a) of the Companies Act, 1956 and it was numbered as C.A 243/2015. Consequent upon the establishment of National Company Law Tribunal Bench at Bengaluru, the said case was transferred to this Tribunal on abolition of Company Law Board, Southern Region, Chennai Bench and re-numbered as T.P No. 191/2016.

The averments made in the Company Application are briefly described hereunder:-



The Company was incorporated under the Companies Act, 1956 on 15th April 2002 as a Private Limited Company under the name and style of B.M.M Iron ore Private Limited. Subsequently the company was converted into a Public Company on 15th December 2004 and changed its name to B.M.M. Ispat Limited vide Registration No. CIN-U13100KA2002PLC030365. The Registered office of the company is situated at # 114, Danapur Village, Hobli Marriamanahalli, Hospet Taluq, Bellary District – 583222.

The present Authorized share capital of the Company is Rs. 160,00,00,000/- (Rupees One Hundred and Sixty Crores only) consisting of 16,00,00,000 Equity Shares of Rs 10/- each. The issued, subscribed and paid up capital is Rs. 104,06,18,460/- consisting of 10,40,61,846 equity shares of Rs 10/-each.

The Main objects of the Company is to carry on the business of prospecting, exploring and developing, opening and working of mines for minerals and ores and to obtain mining licenses and lease for ores and minerals from Government or any local body; to purchase, take on lease or in exchange, hire or otherwise acquire, any movable property; to act as agents, Managers, selling agents transport contractors for mineral ores and other allied products; to promote, take over or set up sponge iron plants, mini steel plants, and alloys and is currently doing the business in manufacturing of pellets, sponge iron, TMT bars and generation of power etc.,

It is averred in the Company Application that, the Applicant was appointed as Statutory Auditor of the company for financial year 2007-08 and resigned on 24th September 2008.

It is averred in the Application that, the Ministry of Corporate Affairs has ordered inspection of the books and records of the Company under section 209A of the Companies Act, 1956, and during the course of inspection the Inspecting Officer noticed from related party transactions vide Sl.No.8 loan received as on 31/03/2008 was shown as Rs 15,73,70,000/- whereas in the ledger account of loan M/s Singhi Finlease Private Limited shows an opening credit balance of Rs 15,80,06,050/- and there is an excess of Rs 6,36,050/- in the loan account which is not reflected in the Balance Sheet as at 31/03/2008 under Related Party Transactions. Thus, the Statutory Auditors have violated Section 227(3)(a) of the Companies Act, 1956. The Applicant while replying to the observations has replied that, the Ledger account of M/s Singhi Finlease Private Limited shows credit balance of

Rs 15,80,06,050/- and it is erroneously stated under related party transactions and further stated that, while typing the balance sheet as on 31/03/2008, the figure of Rs 15,73,70,000/- has been wrongly typed against equity investment as on 31/03/2008 in the previous year column instead of typing the same against loans received in the previous year column. However, the Applicant voluntarily admitted that, the typographical error is sincerely regretted. Thus, the applicant violated section 227(3)(a) of the Companies Act, 1956. Accordingly, Registrar of Companies, Karnataka, Bangalore issued Show Cause Notice bearing No. ROCB/MMM/SCN/SEC 227(3) (a)/030365/2015 dated 15th June 2015.

We have heard the counsel for Applicant. The learned Counsel contended that, the said contravention committed by the Applicant was neither intentional nor willful and contended that, a lenient view may be taken while compounding the offence.

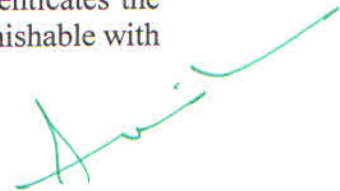
We have seen the Show Cause Notice issued by the Registrar of Companies, Karnataka, Bangalore to the Applicant in which it has been stated that, under related party transactions vide Sl.No.8 loan received during 31/03/2008 was shown as Rs 15,73,70,000/- whereas in the Ledger account of M/s Singhi Finlease Private Limited shows an opening credit balance of Rs 15,80,06,050/- and there is excess of Rs 6,36,050/- in the loan account which is not reflected in the Balance Sheet as at 31/03/2008 under related party transactions and thereby contravened the provisions of section 227(3)(a) the Companies Act, 1956.

Section 227(3) (a) of the Companies Act, 1956 reads as follows:-

“whether he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purposes of his audit;”

Section 233 of the Companies Act, 1956 is penal provision for violation reads as follows:-

“If any auditor’s report is made, or any document of the company is signed or authenticated, otherwise than in conformity with the requirements of section 227 and 229, the auditor concerned, and the person, if any, other than the auditor who signs the report or signs or authenticates the document, shall., if the default is wilful, be punishable with fine which may extend to Rs 10,000/-”

We have perused the documents filed by the Applicant. We have seen the Show Cause Notice and after going through the Company Application under section 621A of the Companies Act, 1956 and further submissions made by the Counsel for the Applicant and the observations of the Registrar of Companies, Karnataka, Bangalore in his report bearing No. ROCB/MMM/621A/2015 dated 4th September 2015, we hereby levy compounding fee for violation of provision of section 227(3) (a) of the Companies Act, 1956 on the Applicant as shown in the table given below:-

Sl. No.	Particulars	Violation of Sec. 227(3)(a) of Companies Act, 1956- 2007-08	Total
1	Applicant- Chartered Accountant	3,000/-	3,000/-

In pursuant to our Order dated 31/05/2017 mentioned herein above, the Applicant have paid the compounding fee by depositing Demand Draft bearing No. 002554 dated 07/06/2017 for Rs. 3,000/- (Rupees Three Thousand only) of HDFC Bank Ltd., V.V.Puram, Bangalore drawn in favour of "Pay and Accounts Officer, Ministry of Corporate Affairs, payable at Chennai".

As the compounding fee has been remitted by the Applicant, the offence stated in the petition is compounded. A copy of this Order be sent to Registrar of Companies, Karnataka at Bangalore for appropriate action.

(RATAKONDA MURALI)
MEMBER, JUDICIAL

(ASHOK KUMAR MISHRA)
MEMBER, TECHNICAL

DATED THIS THE 19th DAY OF JUNE, 2017