

**IN THE NATIONAL COMPANY LAW TRIBUNAL  
BENGALURU BENCH**

C.A. No.201/621A/CB/2016

IN

T.P No. 299/16

**IN THE MATTER OF COMPANIES ACT, 1956  
UNDER SECTION 297(3) READ WITH SECTION 621A  
OF THE COMPANIES ACT, 1956**

**AND**

**IN THE MATTER OF  
FLOWSERVE MICROFINISH VALVES PRIVATE LIMITED**

Judgement/Order delivered on: 12<sup>th</sup> February 2018

Coram: Hon'ble Shri Ratakonda Murali, Member (Judicial)  
Hon'ble Shri Ashok Kumar Mishra, Member (Technical)

1. **Flowserve Microfinish Valves Private Limited,  
CTS No. 568/1, Industrial Area,  
Unkal Village, Gokul Road, Hubli-580030.**
2. **Mr. Tilak Karamchand Vikamshi - Managing Director,  
No.568/1, "Vikamshi" House, Akshay Colony,  
Opp: Global College, Hubli-580030. -**

**APPLICANTS**

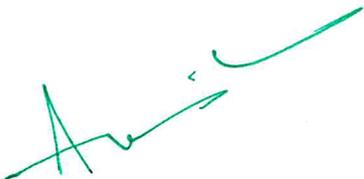
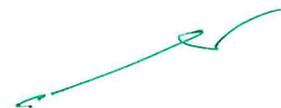
For the Applicant (s): Mr. Biswajit Ghosh, & Mr. Pramod S.M, No.926,  
20<sup>th</sup> Main, Near BDA Complex, Banashankari 2<sup>nd</sup>  
Stage, Bangalore-560070 -Practicing Company  
Secretary & Authorised Representatives for the  
Applicants.

Per: **Hon'ble Shri Ratakonda Murali, Member (Judicial) – Author**

Heard on: 09/06/2017, 06/07/2017, 03/08/2017, 29/08/2017, 22/09/2017,  
06/10/2017, 25/10/2017, 06/11/2017, 17/11/2017, 06/12/2017 &  
05/01/2018.

**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 297(3) of the Companies Act, 1956 and it was numbered as C.A 201/2016. Consequent upon the establishment of National Company Law Tribunal Bench at Bengaluru, the said Application was transferred to this Tribunal on abolition of Company Law Board, Southern Region, Chennai Bench and re-numbered as T.P No. 299/2016.

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

The 1<sup>st</sup> Applicant is the Company and Mr. Tilak Karamchand Vikamshi is the 2<sup>nd</sup> Applicant/Managing Director. This suo-moto Application is filed by the Applicants for compounding for violation of provisions of Section 297(3) of the Companies Act, 1956.

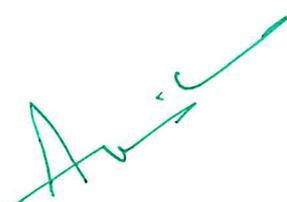
The 1<sup>st</sup> Applicant Company was incorporated under the Companies Act, 1956 on 19<sup>TH</sup> April 1996 as a Private Limited Company under the name and style of "Flowserve Microfinish Valves Private Limited" vide CIN No. **U29120KA1996PTC020335**. The Registered Office of the Company is situated at CTS No. 568/1, Industrial Area, Unkal Village, Gokul Road, Hubli -580030.

The Authorized share capital of the 1<sup>st</sup> Applicant Company is Rs. 5,00,00,000/- consisting of 50,00,000 Equity Shares of Rs 10/- each. The Issued, Subscribed and Paid up Share Capital of the Company as on 31<sup>st</sup> March 2013 is Rs 3,49,00,000/- divided into 34,90,000 Equity Shares of Rs 10/- each.

It is averred in the Company Application that, 1<sup>st</sup> Applicant Company had carried out related party transactions with Flowserve Microfinish Pumps Private Limited for sharing common administration expenses and the nature of transactions pertain to reimbursement of administration expenses like Security charges, garden expenses, directors travelling expenses, telephone charges, salary wages, conveyance, ISO Audit Expenses by debiting to the said company for which the 1<sup>st</sup> Applicant Company did not obtain the prior approval of the Central Government (Regional Director) before entering into arrangement, wherein the 2<sup>nd</sup> Applicant herein is also the Managing Director.

It is further averred that, during the time of carrying out related party transactions with Flowserve Microfinish Pumps Private Limited, the Company's paid up share capital was more than Rs 1,00,00,000/-. The Company ought to have obtained the Central Government approval but it was not obtained for the agreement.

Thus there was violation of provisions of section 297 of the Companies Act, 1956. This suo-motto application is filed by the Petitioners under section 621A of the Companies Act, 1956 for compounding the violation of section 297 of the Companies Act, 1956 which is punishable under section 629A of the Act.



Section 297 of the Companies Act, 1956 reads as follows:-

Except with the consent of the Board of directors of a company, a director of the company or his relative, a firm in which such a director or relative is a partner, any other partner in such a firm, or a private company of which the director is a member or director, shall not enter into any contract with the company-

(a) for the sale, purchase or supply of any goods, materials or service ; or.  
(b) after the commencement of this Act, for underwriting the subscription of any shares in, or debentures of, the company:

**Provided** that in the case of a company having a paid-up share capital of not less than rupees one crore, no such contract shall be entered into except with the previous approval of the Central Government.

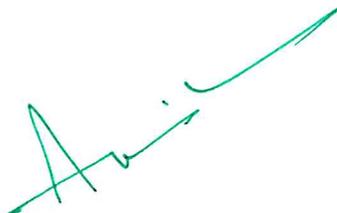
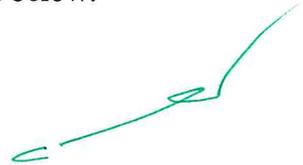
Violation of section 297 of the Companies Act, 1956 which is punishable under section 629A reads as follows:-

“If a company or any other person contravenes any provision of this Act for which no punishment is provided elsewhere in this Act or any condition, limitation or restriction subject to which any approval, sanction, consent, confirmation, recognition, direction or exemption in relation to any matter has been accorded, given or granted, the company and every officer of the company who is in default or such other person shall be punishable with fine which may extend to Rs 5,000/-and where the contravention is a continuing one, with a further fine which may extend to Rs. 500/- for every day after the first during which the contravention continues”.

For the said violation, this Tribunal by order dated 29<sup>th</sup> January 2018 imposed compounding fee on the Applicants as detailed hereunder:-

Sl. No.	Particulars	Violation of Sec.297(3) of the Companies Act, 1956	No. of days delay	Total Rs.
1	1 <sup>st</sup> Applicant Company	Rs. 1,000/-	5662 x 50 =2,83,100/-	2,84,100/-
2	2 <sup>nd</sup> Applicant- Managing Director	Rs. 1,000/-	5662 x 50 =2,83,100/-	2,84,100/-

In pursuant to our Order dated 29<sup>th</sup> January 2018 mentioned herein above, the Applicants have paid the compounding fee by depositing 2 Demand Drafts of Canara Bank, Station Road, Hubli drawn in favour of “Pay and Accounts Officer, Ministry of Corporate Affairs, payable at Chennai” as detailed below:-

Sl. No.	Particulars of Applicant	Fee Amount Rs.	DD No. & Date
1	1 <sup>st</sup> Applicant Company	2,84,100/-	503868 dt. 06/02/2018
2	2 <sup>nd</sup> Applicant- Managing Director	2,84,100/-	503874 dt. 07/02/2018

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

  
(ASHOK KUMAR MISHRA)  
MEMBER, TECHNICAL

  
(RATAKONDA MURALI)  
MEMBER, JUDICIAL