

**BEFORE THE NATIONAL COMPANY LAW TRIBUNAL  
BENGALURU BENCH  
C.P.NO. 16/2016**

**DATED: MONDAY THE 10<sup>TH</sup> DAY OF APRIL 2017**  
**PRESENT: SHRI RATAKONDA MURALI, MEMBER JUDICIAL**  
**SHRI. ASHOK KUMAR MISHRA, MEMBER TECHNICAL**

**IN THE MATTER OF COMPANIES ACT, 2013**  
**SECTION 621A UNDER SECTION 211(3A) & (3B) OF THE COMPANIES**  
**ACT, 1956 AND READ WITH ACCOUNTING STANDARD-18 OF**  
**COMPANIES (ACCOUNTING STANDARDS) RULES, 2006**  
**AND**  
**IN THE MATTER OF KURLON LIMITED**

**C.P.NO. 16/2016**

1. Mrs. Jaya S. Pai- Director,  
# 5, Ananth Nagar,  
Manipal, Udupi-576119
2. Shri K.T. Bhagat - Director,  
# 47, Shashi Kiran apartments,  
Flat No.607,  
18<sup>th</sup> Cross, Malleshwaram,  
Bangalore-560003.
3. Dr. Nitin G.Khot – Director,  
“Khot Villa”, B.C -27, Fort,  
Belgaum-590016.
4. Mrs. Rashmi Rastogi – Company Secretary,  
H.No.15, RKS Bakery Cross, Akashnagar  
PWD Main Road, B.Narayanapura,  
Bangalore-560036.

- **APPLICANTS**

**PARTIES PRESENTED:**

Mr. K. Dushyantha Kumar, Practicing Company  
Secretary, No. 71, Shop Street, 9<sup>th</sup> Cross, 2<sup>nd</sup> Block,  
Jayanagar, Bangalore-560011 Authorised  
representatives for the Applicants.

Heard on: 06/12/2016, 21/12/2016, 19/01/2017, 28/02/2017, 30/03/2017  
and 05/04/2017

**ORDER**

This petition is filed by the Applicants for the purpose of compounding for violation of provisions of Section 211(3A) and (3B) of the Companies Act, 1956 and Accounting Standard-18 of Companies (Accounting Standards) Rules, 2006 for offence committed during the financial year ending 31<sup>st</sup> March 2006.

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


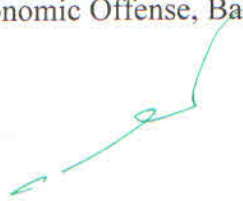
The Company Kurlon Limited was incorporated under the Companies Act, 1956 on 9<sup>th</sup> February 1962 as a Public Limited Company vide Registration No. **001443**. The Registered office of the Company is situated at N-301, III Floor, North Block, Front Wing, Manipal Centre, 47 Dickenson Road, Bangalore-560042.

The Authorised Share Capital of the Company is Rs. 35,00,00,000/- (Rupees Thirty five Crores only) consisting of 3,50,00,000 Equity Shares of Rs 10/- each. The issued, subscribed and paid up share capital is Rs. 14,88,26,050/-.

The Main objects of the Company is to carry on the business of manufactures and dealers of all kinds of coir fibre, Coir Fleeces, Coir Flax, coir, boards, coir briquettes and converters of coir fibre into materials like mats, mattresses, carpets, runners, chords ropes of all kinds and varieties etc., Details of the objects of the Company are mentioned in the Memorandum of Association of the Company.

It is averred in the petition that, during the technical scrutiny of the Balance sheet as at 31/03/2006 by the Registrar of Companies, Karnataka, Bangalore, it has noticed that, the Board of Directors of the Company has not furnished the details of related party transactions like description of relation between the parties, relationship where control exist pursuant to Section 211(3A) and (3B) of the Companies Act, 1956 and Accounting Standard-18 of Companies (Accounting Standards) Rules, 2006 and issued Show Cause Notice bearing No. ROCB/TS/BS/SCN/ 211(3A)/ (3B)/1443/ 2010/SVK dated 20<sup>th</sup> August 2010 for the said violation

It is further averred that, the company could not reply to the aforesaid Show Cause Notice due to administrative reasons and it was unintentional and there has been a delay of more than five years and the matter is pending before the court of Economic Offense, Bangalore.





The Practicing Company Secretary for the applicants stated that, the Company has filed e-form GNL-1 with the Registrar of Companies, Karnataka, Bangalore on 23<sup>rd</sup> May 2016 prior to the Notification dated 1<sup>st</sup> June 2016 issued by the Ministry of Corporate Affairs and as such prayed to dispose off this matter in accordance with the provisions of the Companies Act, 1956.

We have seen the Show Cause Notice issued by the Registrar of Companies, Karnataka, Bangalore to the applicants in which, it is clearly stated that, the Board of Directors of the Company has not furnished the details of related party transactions like description of relation between the parties, relationship where control exist pursuant to Section 211(3A) and (3B) of the Companies Act, 1956 and Accounting Standard-18 of Companies (Accounting Standards) Rules, 2006.

Section 211 (3A) of the Companies Act, 1956 reads as follows:-

“Every profit and loss account and balance sheet of the company shall comply with the accounting standards.”

(3B) Where the profit and loss account and the balance sheet of the company do not comply with the accounting standards, such companies shall disclose in its profit and loss account and balance sheet, the following namely:-

- (a) the deviation from the accounting standards;
- (b) the reasons for such deviation; and
- (c) the financial effect, if any, arising due to such deviation

Section 211(7) of the Companies Act, 1956 is penal provision for violation reads as follows:-

“If any such person as is referred to in sub-section (6) of section 209 fails to take all reasonable steps to secure compliance by the company, as respects any accounts laid before the company in general meeting, with the provisions of this section and with the other requirements of this Act as to the matters to be stated in the accounts, he shall, in respect of each offence, be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to ten thousand rupees, or with both:



This Application was filed under section 621A of the Companies Act, 1956 before the Registrar of Companies, Karnataka, Bangalore. The provisions of section 441 of the Companies Act, 2013 came into effect from 1<sup>st</sup> June 2016. Therefore, this application is to be decided under the provisions of section 621A of the Companies Act, 1956.

We have heard the Practicing Company Secretary for Applicants. This Application is filed under section 621A of the Companies Act, 1956 for compounding. It is also an undisputed fact that, prosecution was launched against the Applicants which is pending before the Hon'ble Special Court for Economic Offences at Bangalore bearing C.C No. 404/2015 in respect of the violation. The question whether offence can be compounded even though prosecution was pending against the Applicants. It is contended that, even though prosecution was launched against the Applicants, yet violation can be compounded by the Tribunal and no prior permission from the Special Court for Economic Offences at Bangalore is required and the power given to the Company Law Board (now Tribunal) under section 621A(1) of the Companies Act, 1956 which is independent of exercise of powers by the court under sub-section (7) and all offences other than those which are punishable with imprisonment only or with imprisonment and also fine can be compounded by the Tribunal without any reference to the sub-section (7) even in cases where the prosecution is pending in a criminal court.

It is true that, the Tribunal has power to compound the offence under section 621A (1) of the Companies Act, 1956, even though prosecution is pending and no permission is required from the Special Court for Economic Offences at Bangalore for compounding the violation. It is also true that, offence can be compounded either before launching prosecution or after institution of prosecution against the Applicants.

This Application was filed through the Registrar of Companies, Karnataka at Bangalore. We have received the report from Registrar of Companies, Karnataka at Bangalore vide Letter No. No. ROCB/SVK/1443/621A/2016 dated 31<sup>st</sup> October 2016 along with enclosures.

After going through the documents the violation can be compounded even after prosecution is launched against the Applicants which is pending before the Special Court for Economic Offences at Bangalore. Sub clause 4(b) of Section 621A of the Companies Act, 1956 provides, if offence is compounded under this section, whether before or after the institution of any prosecution, an intimation thereof shall be given by the Company to the Registrar within seven (7) days from the date on which the offence is so compounded.





Thus, it is clear if offence is compounded after institution of the prosecution, then Registrar has to bring to the notice of the Court where prosecution is pending in writing and on such notice of composition the Court shall discharge the company or its officers against whom prosecution is pending.

From the above discussion, it is clear that Tribunal can compound the offence, even though prosecution is pending against the Applicants and prior permission is not necessary to compound the offence.

We have perused the documents filed by the Applicants and after going through the Company Petition under section 621A of the Companies Act, 1956 and further submissions made by the Practicing Company Secretary for the Applicants and the observations of the Registrar of Companies, Karnataka, Bangalore in his report bearing No. ROCB/SVK/1443/621A/2016 dated 31<sup>st</sup> October 2016, we hereby levy compounding fee for violation of provision of Section 211(3A) and (3B) of the Companies Act, 1956 and Accounting Standard-18 of Companies (Accounting Standards) Rules, 2006 on the Applicants as shown in the table given below:-

Sl. No.	Particulars	Violation of Section 211(3A) and (3B) of the Companies Act, 1956-	Grand Total Rs.
1	1 <sup>st</sup> Applicant-Director	6,000/-	6,000/-
2	2 <sup>nd</sup> Applicant-Director	6,000/-	6,000/-
3	3 <sup>rd</sup> Applicant-Director	6,000/-	6,000/-
4	4 <sup>th</sup> Applicant-Company Secretary	6,000/-	6,000/-

The compounding fee levied shall be paid by the Applicant within 15 days from the date of this order and call this matter on 24<sup>th</sup> April 2017 for compliance.

  
(RATAKONDA MURALI)  
MEMBER, JUDICIAL

  
(ASHOK KUMAR MISHRA)  
MEMBER, TECHNICAL

DATED THIS THE 10<sup>th</sup> DAY OF APRIL, 2017