

**BEFORE THE NATIONAL COMPANY LAW TRIBUNAL  
BENGALURU BENCH  
T.P.NO. 202/2016  
IN  
C.A.NO. 254/2015**

**DATED: TUESDAY THE 31<sup>ST</sup> DAY OF JANUARY 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(1) OF THE COMPANIES ACT, 1956  
AND**

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

**T.P.NO. 202/2016 IN C.A.NO. 254/2015**

1. **Shri Dineshkumar Singhi- Director,  
No.101, 1<sup>st</sup> Floor, Pride Elite, No.10,  
Museum Road, Bangalore-560001.**
2. **Shri Mrutyunjaya Senapati- Director,  
# 002, Aster Block, Fantasy Gardens Apt.,  
2<sup>nd</sup> Main Road, Kasturinagar,  
Bangalore-560043.**

- **APPLICANTS**

**PARTIES PRESENT:** Mr. A.M.Sridharan, Advocate and Authorised representative for the Applicants.

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

**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 211(1) of the Companies Act, 1956 and it was numbered as C.A 254/2015. 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. 202/2016.

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

The Company was incorporated under the Companies Act, 1956 on 15<sup>th</sup> 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 15<sup>th</sup> 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 Mariamanahalli, 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., Details of the objects of the Company are mentioned in the Memorandum of Association of the Company.

It is further averred in the Company Application that, 1<sup>ST</sup> Applicant is the promoter director of the Company since incorporation and was appointed as Managing Director of the Company on 30<sup>th</sup> April 2007 and resigned as Managing Director on 20<sup>th</sup> April 2015 and presently he is the Chairman of the Company and Applicant No.2 is the Whole Time Director of the Company during the time of default.

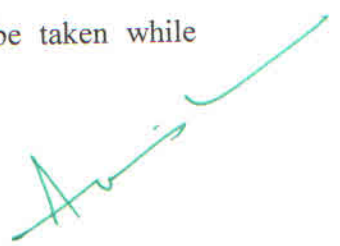

It is further averred that, during the year 2008, the company has received loan amount of Rs 15,80,06,050/- from M/s Singhi Finlease Private Limited. The Ledger account of M/s Singhi Finlease Private Limited shows opening credit balance of Rs 15,80,06,050/- as on 01/04/2008. Due to typographical error, the said loan amount has been erroneously stated as Rs 15,73,70,000/- instead of Rs 15,80,06,050/- under related party transaction in the Balance Sheet for the financial year ending 31/03/2008.

It is further averred that, as per provisions of section 211(1) of the Companies Act, 1956 provides that, every balance sheet of a company shall give a true and fair view of the state of affairs of the company as at the end of the financial year and shall, subject to the provisions of this section, be in the form set out in Part I of Schedule VI, or as near thereto as circumstances admit or in such other form as may be approved by the Central Government either generally or in any particular case.

It is further averred that Ministry of Corporate Affairs had 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 found that, non-compliance with the provisions of 211(1) of the Companies Act, 1956 read with Part I of Schedule VI. It was noticed by the Inspecting Officer from the Balance Sheet as at 31/03/2008 under the head Related Party Transaction revealed receipt of loan amounting to Rs 15,73,70,000 whereas the ledger account of loan-Singhi Finlease Limited revealed an opening balance of Rs 15,80,06,050/- as on 01/04/2008 and there was excess of Rs 6,36,050/- in the opening balance. Thus, the Balance Sheet does not disclose true and fair view of the affairs of the company as required under section 211(1) of the Companies Act. It is stated that, the Company has replied that due to typographical error the mistake occurred. The Registrar of Companies, Karnataka, Bangalore issued Show Cause Notice bearing No. ROCB/MMM/SCN/SEC 211/030365/2015 dated 5<sup>th</sup> June 2015.

However, the Applicants voluntarily admitted that, due to typographical error, the loan amount was shown as Rs 15,73,70,000/- instead of Rs 15,80,06,050/- in the Balance Sheet for the financial year ending 31/03/2008 and has inadvertently contravened the provisions of section 211(1) read with Schedule VI of the Companies Act, 1956.

We have heard the counsel for Applicants. The learned Counsel contended that, the said contravention committed by the Applicants was neither intentional nor willful and would further contend 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 applicants in which, it is clearly stated that, company has contravened the provisions of Section 211(1) of the Companies Act, 1956 and thus not reflecting the true and fair view of the affairs of the company as required under section 211(1) read with schedule VI of the Companies Act 1956.

Section 211 (1) of the Companies Act, 1956 reads as follows:-

“Every balance sheet of a company shall give a true and fair view of the state of affairs of the company as at the end of the financial year and shall, subject to the provisions of this section, be in the form set out in Part I of Schedule VI, or as near thereto as circumstances admit or in such other form as may be approved by the Central Government either generally or in any particular case; and in preparing the balance sheet due regard shall be had, as far as may be, to the general instructions for preparation of balance sheet under the heading ‘Notes’ at the end of that Part:”

Section 211(7) of the Companies Act, 1956 is penal provision for violation which 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. The provisions of section 441 of the Companies Act, 2013 came into effect from 1<sup>st</sup> June 2016, this application was filed before erstwhile Company Law Board, Southern Region, Chennai. Therefore, this application is to be decided under the provisions of section 621A of the Companies Act, 1956.

We have perused the documents filed by the Applicants. 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 Applicants and the observations of the Registrar of Companies, Karnataka, Bangalore in his report bearing No. ROCB/MMM/621A/30365/2015 dated 4<sup>th</sup> September 2015, we hereby levy compounding fee for violation of provision of section 211(1) of the Companies Act, 1956 on the Applicants No. 1 & 2 as shown in the table given below:-



Sl. No.	Particulars	Violation of Sec.211(1) of Companies Act, 1956-	Grand Total Rs.
1	1 <sup>st</sup> Applicant- Managing Director	6,000/-	6,000/-
2	2 <sup>nd</sup> Applicant- Whole Time Director	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 16<sup>th</sup> February 2017 for compliance.

  
(RATAKONDA MURALI)  
MEMBER, JUDICIAL

  
(ASHOK KUMAR MISHRA)  
MEMBER, TECHNICAL

DATED THIS THE 31<sup>st</sup> DAY OF JANUARY, 2017