

**BEFORE THE NATIONAL COMPANY LAW TRIBUNAL  
HYDERABAD BENCH AT HYDERABAD**

**C.A.NO. 19/621A/HDB/2016**

Date Of Order 26/5 .08.2016

Between:

1. K.P.R. Agrochem Limited,  
(Represented by Mr. Kovvuri Rajasekhar Reddy, Whole-Time Director)  
Regd. Office at D.No.8-256, Tata Nagar,  
Balabhadrapuram – 533 343, Andhra Pradesh.

2. Mr. Karri Venkata Mukunda Reddy,  
Managing Director,  
2-1/1, Ramannapeta,  
Komaripalem – 533 346, Andhra Pradesh.

3. Kovvuri Rajasekhar Reddy,  
Whole-Time Director,  
D.No.2-2/3a, Bhagyanagar,  
Biccavolu Mandal, Komaripalem,  
East Godavari – 533 346, Andhra Pradesh.

4. Mr. Kovvuri Papa Reddy,  
Whole-Time Director,  
D.No.3-29, Kacheri Vari Street,  
Komaripalem -533 346, Andhra Pradesh.

.. Applicants

Counsel for the Applicants

.. Sri S.Chidambaram  
(Practising Company Secretary)

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**Hon'ble Mr. RAJESWARA RAO VITTANALA, MEMBER (JUDL)**

**Hon'ble Mr. RAVIKUMAR DURAISAMY, MEMBER (TECH)**

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**ORDER****(As per Rajeswara Rao Vittanala, Member (J))**

1. The application was initially filed before Company Law Board, Chennai Bench, Chennai. Since, NCLT, Hyderabad Bench has been constituted for the cases relating to the states of Andhra Pradesh and Telangana, the case is transferred to Hyderabad Bench. Hence, we have taken the case on records of NCLT, Hyderabad Bench and deciding the case.
2. The present application has been filed Under Section 621A read with Section 297 of the Companies Act, 1956 and Regulation 14 of the Company Law Board Regulations 1991 by seeking a direction to condone or compound the non-compliance of Section 297 of Companies Act, 1956 and pass any other incidental orders.
3. K.P.R. Agrochem Limited was originally incorporated as K.P.R Fertilizers Private Limited on 2<sup>nd</sup> January, 2007 as Private Limited Company and converted to Public Limited Company on 19<sup>th</sup> December, 2008 the Corporate Identity Number (CIN) of the company is U24129AP2007PLC052216. On 21<sup>st</sup> September 2015, the company has changed its name to K.P.R. Agrochem Limited. The Registered Office of the Company is situated at Door No. 8-256, Tata Nagar, Balabhadrapuram-533 343, Andhra Pradesh.  
 Authorised Share Capital Rs.125,00,00,000/- (Rupees One Hundred and Twenty Five Crores only) divided into 12,50,00,000 (Twelve Crores Fifty Lakhs only) shares of Rs.10/- (Rupees Ten) each. Paid up capital is Rs.85,46,40,000/- (Rupees Eighty Five Crores Forty Six Lakhs Forty Thousand only) divided into 8,54,64,000 (Eight Crores Fifty Four Lakhs Sixty Four Thousand only) fully paid up equity shares Rs.10/- (Rupees Ten) each. The present business activities of the company is manufacture of fertilizers and chemicals.
4. The applicants submit in the Application that as per Section 297 of the Companies Act, 1956, every company having a paid-up capital of not less than Rs.1,00,00,000/- (Rupees one crore only) shall not enter into contract



for sale, purchase or supply of goods, materials or services, with the private company in which the director of the company is director or member.

However, the Applicant Company has entered into contracts with two private companies viz. (i) Arvind Seed Private Limited (ii) Sri Sai Swarupa Seeds Private Limited companies in which the directors of the Applicant No.1 Company are directors and without the consent of the previous approval of the Central Government and thus violated Section 297 of the Companies Act, 1956. The applicants are voluntarily approaching the Hon'ble Company Law Board for compounding of the offence. It is further stated that the said non-compliance was neither wilful nor wanton and is not with any malafide intention and it did not result in prejudice to any of the shareholders or any other stakeholder.

5. We have heard Sri S. Chidambaram, Practicing Company Secretary and also perused the report submitted by the Registrar of Companies, Hyderabad vide proceedings no.RAP/Legal/Section 297/621A/KPR/STA/2016/617 dated 02-05-2016.
6. The Registrar of Companies, while reiterating the contentions raised in the application, it is stated that as per Provisions of Section 297 the company ought to have taken prior approval of the Central Government for the said transactions, since the paid up capital of the company exceeded Rs.1,00,00,000/- and Mr. Karri Venkata Mukunda Reddy, Mr. Kovvuri Rajasekhar Reddy and Mr. Kovvuri Papa Reddy are the interested parties in the companies.  
However, the company did not obtain any prior approval of the Central Government and thereby contravened the provisions of Section 297 of the Companies Act, 1956. The total contract value is of Rs.6,14,97,130/- (Rupees Six Crore Fourteen Lakh Ninety Seven Thousand One Hundred and Thirty). The applicant submitted that the offence was neither intentional nor wilful. It is found that there are three directors at the relevant period and K.P.R. Fertilisers Limited (represented by Mr. Kovvuri Rajasekhar Reddy, Executive Director) has filed the compounding petition. It is also stated that it is the first offence and application can be considered on merits.

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7. We have carefully considered the various pleadings made in the application and the oral contentions made by the Learned Practicing Company Secretary. It is not in dispute that the Applicants have admitted violation of the section 297 of the Companies Act, 1956 and have come forward voluntarily to the Tribunal by seeking permission to compound the violation by paying the fine as prescribed under the Act. It is further stated, if the company fails to comply with the provisions of Section 297 and where no penalty is prescribed, 629A of Companies Act, 1956, prescribed penalty, which states that 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.5000/- and further fine of Rs.500/- per every day for continuous contravention of the Provision. The Tribunal is exercising its powers conferred upon it under the Companies Act in permitting the applicants to compound the violations in question.

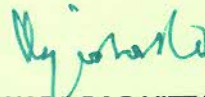
**THIS BENCH DOTH ORDER**

In view of the above facts and circumstances of the case and in the interest of justice, we are inclined to permit the applicants to compound the violations as mentioned above by paying the compounding fee. We direct the first applicant company to pay Rs.2,68,000/- (Rupees Two Lakh Sixty Eight Thousand only) and Applicant nos.2 to 4 Rs.2,68,000/- (Rupees Two Lakh Sixty Eight thousand only) each [Rs.5000 + (526 days x Rs.500) = Rs. 2,68,000/-], and deposit the same with the authorities within three weeks and further direct the Applicants to report the compliance.

The applicants are warned to be careful in the future and if such conduct is ever repeated, then appropriate proceedings shall be initiated and a serious view shall be taken. In terms of above, the application is disposed off.



RAVIKUMAR DURAISAMY (TECH)



RAJESWARA RAO VITTANALA (JUDL)

