

**IN THE NATIONAL COMPANY LAW TRIBUNAL
HYDERABAD BENCH, AT HYDERABAD**

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C.A. No.38/621A/HDB2016

In the Matter of

1. Mr. Venumbaka Vijaya Sai Reddy,
S/o Mr. Venumbaka Sundararami Reddy,
Former Director, Jagati Publications Limited,
H.No.8-2-293/82/HE, Plot No.41,
Road No 70, Huda Enclave,
P.O. Film Nagar, Jubilee Hills,
Hyderabad – 500 033.

2. Mr. Jella Jagan Mohan Reddy
S/o Jella Nagamalla Reddy,
Former Director, Jagati Publications Limited,
Flat No.17LH, 902,
Lanco Hills, Manikoda,
Hyderabad – 500 089.

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3. Mr. Harish C. Kamarthy,
S/o Mr. Channa Verrapa Kamarthy,
Former Director, Jagati Publications Limited,
333, 8-2-603/2/M, Road No.10,
Banjara Hills,
Hyderabad – 500 034.

.....Applicants

Judgement delivered on: 28.06.2017.

CORAM:

Hon'ble Mr. RAJESWARA RAO VITTANALA, MEMBER (JUDICIAL)
Hon'ble Mr. RAVIKUMAR DURASAMY, MEMBER (TECHNICAL)

Parties present

Counsel for the Applicants: :Shri K. Dushyantha Kumar,
PCS.

Per Mr. RAVIKUMAR DURASAMY, MEMBER (TECHNICAL)

JUDGEMENT

1. The Application was initially filed before the Hon'ble Company Law Board, Chennai Bench, Chennai. Since the National Company Law Tribunal (NCLT), Hyderabad Bench, has been constituted for the cases pertaining to the States of Andhra Pradesh and Telangana, the case is transferred to the Hyderabad Bench of NCLT., hence, we have taken the case on records of NCLT, Hyderabad Bench and deciding the case.



2. The present Application has been filed by (1) Mr. Venumbaka Vijaya Sai Reddy, Former Director; (2) Mr. Jella Jagan Mohan Reddy, Former Director and (3) Mr. Harish C Kamarthy, Former Director; under Section 621A Read with Section 217 (2AA) (i) of the Companies Act, 1956, further read with Accounting Standard-3 of Companies Act, 1956, for compounding the offences under Section 217 (2AA) (i) of the Companies Act, 1956 vide SRN:C79541652. GNL 1 had also been filed by Chityala Prabhu Narasimha Karthik, praying the Board for compounding the offence.
3. The brief facts of the case as mentioned in the Application are that :
 - a) The Applicant Company, Jagati Publications Limited, a Limited Company incorporated under the Companies Act, 1956 vide CIN U22212TG2006PLC051651, dated 14.11.2006, having its Registered Office at 6-3-249/1, Sakshi Towers, Banjara Hills, Road No.1, Hyderabad, Telangana – 500 034.
 - c) The present Authorised Share Capital of the Applicant Company is Rs.1,20,00,00,000/- (Rupees One Twenty Crores Only) divided into 12,00,00,000 (Twelve Crores) equity shares of Rs.10/- each and paid up capital is Rs.1,06,55,84,810/- (Rupees One Hundred Six Crores Fifty Five Lakhs Eighty Four Thousand Eight Hundred Ten only) divided into 10,65,58,481 (Ten Crores Sixty Five Lakhs Fifty Eight Thousand Four Hundred Eighty One) equity shares of Rs.10/- each.
4. The main objects of the Applicant Company are to carry on business as a publisher of daily, weekly, monthly, magazines, newspapers on topic of public interest, Social Cultural, art and musical production, general commercial, colour, craft, and process printers, lithographers, photographers, engravers, die makers, plan and chart printers press and advertising agents, contractors etc.,
5. The Office of the Regional Director, South East Region, Hyderabad, during the inspection of books of accounts of the Company's Balance Sheet for the years 2006-07, 2007-08, 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13, and a preliminary findings letter dated 30.07.2015 it has been observed that the Company has violated the provisions of Section 217 (2AA) (i) of the Companies Act 1956.



6. The Registrar of Companies, in their report dated 25.05.2016 has pointed out that during the year 2006-2007 (i) the Company has not prepared cash flow statement as per AS-3; (ii) failed to disclose related party transactions with Janani Infrastructure Pvt Ltd, as per AS-18, (iii) not disclosed related party transactions with M/s Carmel Asia Holdings Pvt Ltd as per AS-18, (iv) not disclosed related party transactions with M/s Sandur Power Company Ltd as per AS-18, (v) not disclosed related party transactions with Mr. Y.S. Jagan Mohan Reddy as per AS-18; and failed to give proper explanation and reasons thereof for non-compliance in Directors' report attached to balance sheet for the year 2006-07 regarding noncompliance of AS3 and AS18 as stated above, and hence this resulted in violation of Section 217(2AA) (i) of the Companies Act, 1956 for the year 2006-07.
7. As per Section 217(5) any person, being a Director of a Company, fails to take all reasonable steps to comply with the provisions of subsections 217 (1) to (3), or being the chairman, signs the Board's report otherwise than in conformity with the provisions of subsection (4), 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 Rs.20,000/- or with both.
8. The Applicants submit that they have maintained Book of Accounts in the line with the provisions of Section 211 read with part-1 and part-2 of schedule VI to the Companies Act, 1956 and they were of the opinion that they are exempted for disclosure under Accounting Standard – 3 & 18, as it falls under Small and Medium Enterprises category as notified by the Ministry of Corporate Affairs vide its Notification No.GSR 739 (E) dated 07.12.2006 and the accounting period of the Company commenced on 14.11.2006, being the date prior to issue of GSR notification.
9. The Applicants further submit that the default is neither intentional nor wilful and is not of such nature as would prejudice the interests of the members or creditors or others dealing with the applicants company. The applicants unequivocally declare that the said default is such as not to affect the public interest in any way, and no harm is caused to the public interest.



10. The Registrar of Companies, Hyderabad, has furnished Report No.RAP&TG/Jagati/621A/STA/2016/Sec.217 (2AA)/951 dated 25.05.2016 has furnished, stating that the applicants have not clearly mentioned how the offence was made good. Hence, the applicants may be put to strict proof of the same, and requested this Bench to pass appropriate orders as deem fit and proper on merits, ink the interest of justice and equity.

11. As held in other C.As relating to violation for the year 2006-07, being First Annual Report of the Company, we are taking a lenient view regarding non-preparation of Cash Flow Statements. Further, non-disclosure of transactions with Mr. Y.S. Jagan Mohan Reddy is a negligible amount of Rs.40,230/-, therefore, this nondisclosure is also not viewed seriously. Further, as held in other C.As as well, non-disclosure of related transactions with Janani Infrastructure Private Limited; M/s Carmel Asia Holdings Private Limited and M/s Sandur Power Company Limited for 2006-07 are considered for violation of Accounting Standards-18.



12. Considering the facts and circumstances of the case, we are inclined to compound the offence with the following directions:

- a) All the Applicants are directed to pay Rs.2,00,000/- (Rupees Two Lakh only) each towards the compounding fee (Rs.20,000 X 10 years).
- b) The Applicants are required to pay the Compounding fee within a period of three weeks from the date of receipt of the copy of the Order and report compliance of the same to the Registry of NCLT.
- c) The Applicants are warned to be careful in future and not to repeat any violation of the provisions of the Companies Act for else serious view will be taken by the Tribunal.
- d) In terms of the above directions the C.A.38/621A/HDB/2016 is disposed off.

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केस संख्या
CASE NUMBER: C.A. No. 38/621A/HDB
निर्णय का तारीख 2016
DATE OF JUDGEMENT: 28/06/2017
प्रति तैयार किया गया तारीख
COPY MADE READY ON: 29/06/2017

V. Anna Poorna
V. ANNAPOORNA
Asst. DIRECTOR
NCLT, HYDERABAD.

Sd/-
RAJESWARA RAO VITTANALA
MEMBER (JUDICIAL)

Sd/-
RAVIKUMAR DURAISAMY
MEMBER (TECHNICAL)