# BEFORE THE NATIONAL COMPANY LAW TRIBUNAL

## HYDERABAD BENCH AT HYDERABAD

### CA No. 10/621A/HDB/2016

Date of Order: 17.03.2017

CERTIFIED TO BE THUE COPY
OF THE ORIGINAL

#### In the matter of:

 Deccan Chronicle Holdings Limited 36, Sarojini Devi Road,
 Secunderabad – 500003, Telangana

 Mr. Tikkavarapu Venkatram Reddy, Chairman
 Plot No. 54, H.No-8-2-703/A-6/C
 Road No.12, Banjara Hills
 Hyderabad- 500034, Telangana

3. Mr. Tikkavarapu Vinayak Ravi Reddy, Vice chairman and Manging Director Plot No. 53, H.No-8-2-703/A-6/C Road No.12, Banjara Hills

Hyderabad- 500034, Telangana

Mr. Karthik Iyer Parasuram,
 Vice Chairman
 H.No-8-2-283/B/5, Plot No.2
 Road No. 3, Banjara Hills
 <u>Hyderabad – 500034, Telangana</u>

.... Applicants

Counsel for the Applicants

....Mr. Alok Dhir along with

Mr. Siva. K. Gopinathan

Mr. A.S. Prashanth

Mr. Amir Ali Bavani



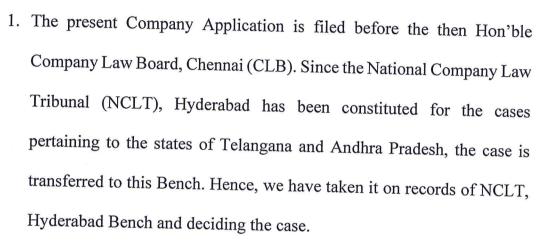
#### **CORAM:**

Hon'ble Mr. Ravikumar Duraisamy, Member (Technical)

Hon'ble Mr. Rajeswara Rao Vittanala, Member (Judicial)

#### **ORDER**

# (As per Ravikumar Duraisamy, Member (Tech))



- 2. The present Company Application is filed by the Applicants under Section 621A of the Companies Act, 1956 for compounding the offences under Section 217 of the Companies Act, 1956 before the Hyderabad Bench of NCLT, praying the Tribunal to take a lenient view in compounding the offences committed under the Companies Act, 1956.
- 3. The brief facts of the case as averred in the Application are as follows:
  - a. Deccan Chronicles Holdings Limited (hereinafter referred to as "Company") was incorporated on 16<sup>th</sup> December, 2002, under the provisions of the Companies Act, 1956 and registered as a Limited



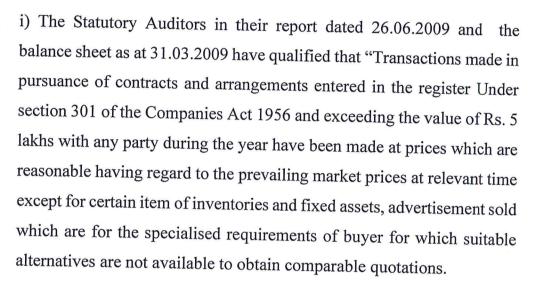
Company with the Registrar of Companies, Hyderabad (RoC) having CIN L22122AP2002PLC040110.

- b. The present Authorised Share Capital of the Company is Rs. 70,00,00,000/- (Rupees Seventy Crore only) divided into 35,00,00,000 Crore (Thirty Five Crore) Equity Shares of Rs. 2/- each out of which Rs. 41,79,44,438/- (Forty One Crores Seventy Nine Lakhs Forty Four Thousand Four Hundred Thirty Eight only) divided into 20,89,72,219 (Twenty Crores Eighty Nine Lakhs Seventy Two Thousand Two Hundred and Nineteen only) Equity Shares of Rs.2/- each have been issued and have been fully subscribed and paid up.
  - The main objects of the Applicant Company are to carry on business of printers and publishers of newspapers, magazines, periodicals, journals, books and pamphlets and other library works in different languages and to carry on all or any of the business of printers, publishers, stationers, lithographers, typefounders, sterotypers, electrotypers, off-set printing, photographic printers, photolithographers, chrome-lithographers, engravers, diesinkers, book binders, card printers, Calendar printers, translators, paper and ink and or other stationery goods, book sellers, advertising agents, Engineers, and dealers in or manufacturers of or importers and exporters of any other article, goods, finished or unfinished or other things of a character or kind similar or analogous to the forgoing of any of their connected directly or indirectly with them, etc.
- d. Section 217 (3) reads as follows:



The Board shall also be bound to give the fullest information and explanations in its report aforesaid, or in cases falling under the provisio to section 222, in an addendum to that report, on every reservation, qualification or adverse remark contained in the auditors' report.

### e. The Applicants submitted that:



iii) Provisions of Section 217(3) are applicable only when there's any adverse remarks, reservation or qualification contained in the auditor's report. With reference to the balance sheet as at March 31, 2009, the Board had not made out the proper explanation to the Auditors qualifications in their directors' report dated 26.06.2009 due to remarks given by the Auditors are general in nature and not adverse remarks, reservation or qualification and are in the form of observation only and there was no other intention on the part of the Board to violate the provisions of section 217 of the Companies Act, 1956.

iv) it was stated that in view of the above circumstances, reasons and facts and Show Cause notice No.RAP/209A/DROC (SRD)/CK/DCHL/Sec.217(193)/ 2014/1148/10, dated 05.08.2014, issued by the Registrar of Companies, Hyderabad for Andhra Pradesh and Telangana, the petitioners are filling Application suo-motu for compounding of offence under Section 621 A of the Companies Act, 1956.



4. We have heard the Learned Counsel for the Applicants, perused the RoC report dated 11.04.2016 and other connected case records available in the file.



5. The RoC, in its report vide RAP/Legal/621A/DCHL/Sec217/C24327173/2016/415 dated 11.04.2016, while affirming the contentions made in the petition, has stated that "the Applicants have not clearly mentioned in their Petition as to how the offences were made good and that while the Tribunal is considering the compounding application, the Applicants may be put to strict proof of the same." The RoC has mentioned that on 06.10.2014, vide SRN C24327173, the Company and its Directors have submitted an application under Section 621A of the Companies Act, 1956 for compounding the offence under Section 217 of the Companies Act, 1956. It is also stated that the Company was ordered for inspection under Section 209A of the Act vide Ministry's letter No. F.No.7/345/2012-C:/II dated 13.09.2012.

While inspecting the books and records of the company, the Inspecting officers observed that Statutory Auditor has given qualified Audit Report dated 26.6.2009 on the Balance Sheet as at 31.3.2009. But the directors have not given any comment/explanation to the qualifications of the Auditor in the Directors Report or Addendum to the Directors Report dated 22.06.2009 u/s 222 of the Companies Act, 1956. Although the matter was taken to DCHL vide letters dated 17.5.2013 and 4.7.2013, the reply was not acceptable to RoC, since the material changes

requires disclosure in Directors report forming part of Annual Report for the year 2008-09. As such there is a clear violation of Section 217(3) of the Companies Act, 1956 by the Company and its Directors.

In addition, the RoC report specifies that if a person being a director fails to take all reasonable steps to comply with provisions of sub-section (1) to (3), or being the chairman signs the Boards report otherwise than in comfirmity with the provisions of sub-section (4) of Section 217 of the Companies Act, 1956, as per Section 217(5), he shall in respect of each offence be punishable with imprisonment which may extend to six months or fine which may extend to twenty thousand rupees or both.



- 6. During the hearing, Mr. Alok Dhir, Learned Counsel for the Applicants made the following submissions:
  - a. That the Inspecting Officer and RoC have erroneously proceeded on the premise that there has been non-disclosure on part of the Applicants with respect to the reservation, qualification or adverse remark contained in the Auditor's Report, wherein the Auditors have categorically stated that the explanation given by the Applicants appears to be reasonable, has been inadvertently omitted in the show-cause notice.
  - b. With regards to the application being filed suo-moto, the learned counsel submits that no proceedings in pursuance to the said Show Cause Notice have been initiated, nor any prosecution has been filed and even the RoC report has specifically admitted that no prosecution is pending against the Applicants.

c. He further submits that, the Applicants have acted bonafidely all along and to buy peace and not to drag the issue, the Applicants have filed the present Application for compounding of the alleged offence and dropping initiation of any further proceedings against the Applicants.



- 7. Though the Applicants have stated that the present Application is filed suo-motu under Section 621A of the Companies Act, 1956 but it is noted that they have come before this Tribunal only after a show cause notice dated 05.08.2014 was issued by RoC. Further, para 9(d) of the Form No. GNL-1 states that the application is being filed in pursuance to the notice received from RoC.
- 8. With regard to the question whether NCLT has full powers to compound offences attracting imprisonment or fine or both, even without referring to any Criminal Court or Special Courts was already discussed by this Bench in detail in the matter of Cambridge Technology Enterprises Limited (CA No. 59/621A/HDB/2016) order dated 21.12.2016. Therefore, to avoid repetition of the stand already taken by this Tribunal, we deem fit not to elaborate the same in this Order.
- 9. The Applicants contended that in view of the above submission there is no violation on the part of the applicants. Last sentence of the Para-10 of the Annexure to the Auditor's report for financial year 2008-09 states

that:- "the same appears reasonable". Therefore no rectification is required to be done to make good the alleged offence and thus no case is made out for initiating further proceedings against the applicants.

10. Since the Auditors report is without any qualification, it is a clear report and no further remarks against the applicants contained in the Auditors report.

- 11. In view of the above facts, contentions of the Counsel and steps taken to ensure future compliance, we are inclined to compound the application with following directions:
- a. We direct the Company and the other three directors to pay Rs.10,000/-each, towards compounding fee.
- b. All the Applicants are required to pay the compounding fee within a period of two weeks from the date of receipt of the copy of the order and report compliance of the same to the Registry of NCLT.

In terms of above, the CA No. 10/621A/HDB/2016 is disposed of.

Sd/-

Sd/-

**RAVIKUMAR DURAISAMY** 

RAJESWARA RAO VITTANALA

MEMBER (T)

MEMBER (J)

V. Anna poorna
V. ANNA POORNA
Asst. DIRECTOR
NCLT, HYDERABAD - 68