

**The Hon'ble Sri Justice C.V.Nagarjuna Reddy**

**Company Appeal No.24 of 2014**  
**and**  
**Company Appeal Nos.2 & 3 of 2015**  
**(old (Sr) Nos.9395 & 9398 of 2014)**

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**Dated 19.01.2015**  
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**Common Order:**

These Company Appeals arise out of Common Order, dated 14-11-2014, of the Company Law Board of Chennai Bench, in Company Application Nos.1, 2 and 3 of 2014.

I have heard Mr.L.Ravi Chander, learned Senior Counsel appearing for Mr.Pushyam Kiran, learned Counsel for the appellants, Mr.Shivaji, learned Counsel representing Mr.V.B.Raju, learned Counsel for respondent Nos.1 to 9, and Mr.R.Raghunandan, learned Senior Counsel appearing for Mr.T.Vinod Kumar, learned Counsel for respondent Nos.10 to 12.

Respondent Nos.1 to 9 have filed Company Petition No.17 of 2014 against respondent No.10 and 25 others under Sections 397, 398, 402, 403 and 406 read with Schedule XI of the Companies Act, 1956, and Sections 58 and 59 of the

Companies Act, 2013, for multiple reliefs. One of the reliefs claimed therein reads as under:

“8.3 Setting aside the transfer of 1,44,920 shares illegally transferred from the 1<sup>st</sup> petitioner to and in favour of 4<sup>th</sup> to 16<sup>th</sup> respondents, as detailed in Para 6.19 and consequentially, direct the 1<sup>st</sup> respondent- Company to rectify the register of members so as to restore the 1,44,920 shares in the name of the 1<sup>st</sup> petitioner- Company.”

The appellants herein claimed that they are the legitimate shareholders holding certain number of shares in respondent No.1- Company and that respondent No.1 and others have fraudulently shown those shares as having been transferred and based on such allegation, they wanted restoration of shares to respondent No.1. The appellants have, therefore, sought for their impleadment in the Company Petition on the plea that if any relief is granted with regard to the said prayer, their interests will be adversely affected.

The applications of the appellants were dismissed by the Company Law Board by the Common Order questioned in these Company Appeals.

One of the main reasons, on which the Company Law Board has dismissed the applications filed by the appellants, is that as the principal issue in the Company Petition pertains to removal of the petitioners in the Company Petition as the Directors of respondent No.10- Company, diversion of funds of the said Company and appointment of some of the respondents as Directors without bringing the same to the notice of the petitioners therein, the appellants have no locus to come on record. The Company Law Board has also observed that if there was fraudulent transfer of their shares, the appellants ought to have filed an application either under Section 111 or Section 111 (A) of the Companies Act, 1956 (for short 'the Act').

Mr.L.Ravi Chander, learned Senior Counsel, has pointed out that while making the observation that the reliefs claimed in the Company Petition were confined only to the aspects such as removal of Directors, diversion of funds *etc.*, the Company Law Board has failed to notice the prayer sought by the petitioners in Para 8.3 (as reproduced above) of the Company

Petition.

On a careful reading of the prayers in the Company Petition, this Court finds merit in the above submission. One of the substantive reliefs, claimed in the Company Petition before the Company Law Board, pertains to the alleged illegal transfer of 1,44,920 shares and for restoration of those shares to respondent No.1. However, as rightly pointed out by the Company Law Board, the appellants are not concerned with the principal reliefs such as removal of Directors, diversion of funds and appointment of some of the Directors *etc.*, as claimed in the Company Petition. When a query is raised by this Court as to why the appellants have not filed an application under Section 111 (A) of the Act as pointed out by the Company Law Board, the learned Senior Counsel has submitted that such applications have already been filed. If that be so, I do not find any reason for the appellants to file these Appeals.

The learned Senior Counsel submitted that as the issues raised in the applications filed by the appellants under Section 111 (A) of the Act

are also the subject matter of the Company Petition pending before the Company Law Board, the Company Law Board may be directed to hear those applications also along with the Company Petition. On a careful consideration of this submission, I am of the opinion that in order to avoid conflicting orders with regard to the alleged illegal transfer of shares, it would be in the interests of justice that the applications, if any, filed by the appellants are heard along with Company Petition No.17 of 2014.

For the above-mentioned reasons, while declining to interfere with the order of the Company Law Board, which is questioned in these Company Appeals, the Company Law Board is directed to hear the applications, if any, filed by the appellants along with Company Petition No.17 of 2014.

Subject to the above directions, the Company Appeals are dismissed.

As a sequel to dismissal of the Company Appeals, Company Application No.1615 of 2014 in Company Appeal No.24 of 2014 is dismissed as infructuous.

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**(C.V.Nagarjuna Reddy, J)**

**Dt: 19<sup>th</sup> January, 2015**  
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