

THE HON'BLE SRI JUSTICE C.V.NAGARJUNA REDDY

AND

THE HON'BLE SRI JUSTICE GUDISEVA SHYAM PRASAD

W.P.Nos.11975 and 12618 of 2013

Date: 26.07.2018

W.P.No.11975 of 2013:

Between:

M/s.Sanghi SEZ Private Limited,
rep. by its Managing Director
Gireesh Kumar Sanghi,
having its registered office at
Sanghi Nagar (P.O.), Hayathnagar mandal,
Ranga Reddy district and another ...

Petitioners

And

Lok Adalat at L.B. Naagar
Ranga Reddy district,
rep. by its Secretary,
the District Legal Services Authority,
Ranga Reddy district and nine others ...

Respondents

Counsel for the Petitioners : Mr.B.Adinarayana Rao, Senior Counsel
for Mr.Sri Charan Telaprolu

Counsel for the Respondents: Mr.J.Anil Kumar for R1
Mr.C.Raghu for R7
None appeared for other respondents

The Court made the following:

Common Order: (Per the Hon'ble Sri Justice C.V.Nagarjuna Reddy)

These two writ petitions are filed for issue of certiorari, to quash Award dated 06.03.2013 in P.L.C.No.56 of 2013 and Award dated 10.01.2013 in P.L.C.No.429 of 2012 respectively, on the file of Lok Adalat, L.B. Nagar, Ranga Reddy district.

2. We have heard Mr.B.Adinarayana Rao, learned senior counsel for the petitioners and Mr.C.Raghu, learned counsel for respondent No.7 in W.P.No.11975 of 2013 and respondents No.2 and 3 in W.P.No.12618 of 2013.

3. Inter-se disputes have arisen among the members of an industrial house (called as 'Sanghi Family Entrepreneurs' for convenience). Petitioner No.2 and respondents No.7 and 8 in W.P.No.11975 of 2013 are brothers. One Ravi Sanghi, who is not a party to this litigation, is also another brother of the said three persons. Respondents No.2 to 6 in W.P.No.11975 of 2013 are a few Companies set up by the Sanghi Family Entrepreneurs. The petitioners alleged that respondents No.7, 8 and their respective sons - respondents No.9 and 10, are the root cause of the disputes among the Sanghi family.

4. Petitioner No.1 Company was incorporated in the year 2006 with the main object of setting up infrastructure development

projects like Special Economic Zones (SEZs), I.T. parks, etc.

Government of India granted approval to petitioner No.1 Company for setting up SEZ for IT/IT enabled services, which were notified in the official gazette on 12.12.2006 for a total area of 202 hectares.

To carry out the said project, petitioner no.1 Company entered into a registered Agreement of Sale-cum-general Power of Attorney dated 04.06.2007 with respondents No.2 to 6 and also with M/s. Sanghi Industries Limited and Sanghi Spinners India Limited, for purchase of 655.22 acres of land in various survey numbers at Koheda village Hayathnagar mandal, Rangareddy district. Petitioner No.2 is the promotee of petitioner No.1 Company and he was appointed as its Director on 01.03.2007. On 16.04.2007, he was appointed as Managing Director and has been continuing as such. As respondents No.7 to 10 were allegedly acting against the interests of petitioner No.1 Company, respondent No.9 and others were removed from Directorship of petitioner No.1 Company by resolution dated 02.05.2008, which was communicated to the Registrar of Companies through Form-32.

5. Questioning the said resolution, respondents No.7 to 10 filed Company Petition No.23 of 2008 before the Company Law Board, Chennai Bench under Sections 111, 397, 398, 402, 403 and 406 of Companies Act, 1956. The petitioners in the said petition raised the allegations of mismanagement and resolutions dated 20.08.2007,

02.10.2007 and 24.09.2007 of petitioner No.1, relating to appointment of Director, Managing Directors, allotment of shares, appointment of Chartered Accountant, etc., were questioned, but not the removal of respondent No.9. Though in the petition, relief of status-quo obtaining as on 30.06.2007 was sought, the Company Law Board has however granted status-quo as on 13.06.2008. The petitioners pleaded that though respondent No.9 ceased to be the Director, it misrepresented to the Government of India, describing himself as the Joint Managing Director of petitioner no.1 Company and requested it to de-notify and cancel the SEZ, vide his letter dated 29.05.2012. That subsequently, respondents No.7 to 10 hatched a plan of depriving petitioner No.1 of its land, thereby making the SEZ an impossibility and that in furtherance of the said plan, respondents No.2 to 6 have filed P.L.C.No.56 of 2013 before the Lok Adalat. In the P.L.C., respondents No.2 to 6 sought for a decree of cancellation of registered agreement of sale-cum-GPA documents entered with petitioner no.1 Company.

6. The petitioners further pleaded that respondent Nos. 7 to 10 have filed Notice dated 24.01.2013 before the Lok Adalat, issued by respondents No.2 to 6 to petitioner No.1 Company, showing 4-3-353, Bank Street, Koti, Hyderabad, as the address, which belongs to respondents No. 2 to 6, apart from showing petitioner no.1 Company as being represented by respondent No.9 as its Director. The

petitioners further pleaded that respondent No.2 was a non existing entity as on the date of filing of P.L.C., as it has changed its name from Sanghi Leathers Private Limited to Sanghi Industries Limited on 18.09.92 and respondent No.8 ceased to be its Director from 17.12.2011. That, they submitted a dubious resolution dated 18.12.2012 in P.L.C., as if respondent No.2 existed.

7. On the strength of the above pleaded facts, the petitioners averred that respondent No.9 who had no authority to represent petitioner No.1 Company, fraudulently compromised with respondents No.2 to 6, of whom respondent No.2 was a non existing company and that, the impugned Lok Adalat Awards are liable to be quashed, as the same are vitiated by fraud played by the respondents on the Court.

8. It needs to be noted that respondent No.7 in W.P.No.11975 of 2013 is reported to have died. In this writ petition, no specific relief is claimed against the said respondent, as he had no role to play in respect of the Lok Adalat Award impugned in the said W.P. Therefore, it is conceded by the learned counsel for respondent No.7 that non-impleadment of the L.Rs of the deceased respondent No.7, will have no effect on the outcome of the writ petition. No other respondents among respondents No.2 to 6 and 8 to 10 have entered appearance in W.P.No.11975 of 2013. However, in W.P.No.12618 of 2013, Mr.C.Raghu, entered appearance for respondents No.2 and 3.

He fairly submitted that though respondent No.3 in W.P.No.12618 of 2013 who is the respondent No.7 in W.P.No.11975 of 2013 died, the writ does not abate, as he only represented respondent No.2, which is a company having legal existence.

9. As noted herein before, challenge to both the Lok Adalat Awards has been mounted on the ground that it is vitiated by fraud. To substantiate their plea that respondent No.9 ceased to be the Director of petitioner No.1 Company and consequently he had no competence to represent the company in the alleged compromise leading to the passing of the impugned Lok Adalat Awards, the petitioners pleaded that on 02.05.2008, the Board of Directors of petitioner No.1 Company have passed a resolution, removing the said respondent from directorship. They have filed a copy of Form-32 filed before the Registrar of Companies, showing that respondent No.9 is not associated with the Company w.e.f. 02.05.2008 as he was removed from directorship under Section 284 of the Companies Act. The petitioners also filed a copy of the order of the Company Law Board in C.P.Nos.23/CB/397&398/2008 dated 13.06.2008, wherein the petitioner No.1 Company was directed to maintain “present status quo” with regard to the composition of the Board of Directors and also in respect of its shareholders pattern. These documents remained uncontraverted, as none of the respondents except respondent No.7 who is no more, has entered appearance, leave

alone filing counter affidavits. It is thus quite apparent that as on 06.03.2013, the date on which Memo. of compromise was entered and the impugned Lok Adalat Award in W.P.No.11975 of 2013 was passed, respondent No.9 ceased to be the Director of petitioner No.1 Company and, therefore, he had no authority whatsoever, to represent the said company before the Lok Adalat and in compromise. Moreover, neither the Memo. of compromise nor the Lok Adalat Award referred to any resolution of the Board of Directors of the petitioner No.1 Company authorizing respondent No.9 to enter into a settlement with respondents No.2 to 6, 7,8 and 10. Therefore, in the light of these undisputed facts and the failure of respondent No.9 to deny the allegation of fraud, this Court has no hesitation to hold that respondent No.9 has fraudulently claimed to have represented petitioner No.1 Company in the compromise with other private respondents, based upon which the impugned Lok Adalat Awards have been passed.

10. One other aspect raised by the petitioners in these writ petitions is non existence of respondent No.2 as on the date of compromise and passing of the Lok Adalat Award. It is the pleaded case of the petitioners that the name of respondent No.2 was changed as 'Sanghi Industries Limited' on 18.09.92 and that respondent No.8 ceased to be its Director from 17.12.2011. That in the P.L.C., respondent No.2 figured as petitioner No.1 represented

by respondent No.8 in W.P.No.11975 of 2013. In support of the said pleas, the petitioners have filed a copy of certificate of incorporation dated 18.09.92, wherein it is certified by the Assistant Registrar of Companies, Andhra Pradesh, to the effect that the name of Sanghi Leathers Private limited which was originally incorporated on 14.06.1985 under the Companies Act, has been changed as Sanghi Industries Private Limited, in pursuance of the resolution of the Company and approval given by the Registrar of Companies on 18.09.92. The petitioners also filed copy of Form-32 issued by the Registrar of Companies that respondent No.8 is not associated with the company w.e.f. 17.12.2011. The above pleadings and the documents filed in support thereof, remained uncontraverted as none of the respondents including respondent No.8 or other respondents, for that matter, except respondent No.7, has neither entered appearance nor filed a counter affidavit denying the said averments.

11. On a holistic consideration of the material as discussed above, the conclusion is inescapable, namely; that respondents No.2 to 7 and 10 colluded with respondents No.8 and 9 and fraudulently entered into the alleged settlement, in order to nullify the registered agreement of sale-cum-G.P.A. entered with petitioner No.1 Company for sale of land, as noted herein before.

12. Therefore, the impugned Lok Adalat Awards which have been passed as a result of the fraudulent acts of the aforementioned respondents, are not sustainable and the same are accordingly quashed.

13. Both the writ petitions are, accordingly, allowed.

14. As a sequel to the disposal of the writ petitions, I.A.No.1 of 2013 (W.P.M.P.No.14818 of 2013) in W.P.No.11975 of 2013 and I.A.No.1 of 2013 (W.P.M.P.No.15551 of 2013) in W.P.No.12618 of 2013, stand disposed of as infructuous.



(C.V.Nagarjuna Reddy, J)

(Gudiseva Shyam Prasad,J)

Date: 26th July, 2018

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