

IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED : 18.12.2020

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THE HONOURABLE MRS. JUSTICE PUSHPA SATHYANARAYANA

W.P.No.1991 of 2020
and
W.M.P.No.2337 of 2020

Naresh Shah

.. Petitioner

Vs.

1. The Union of India,
Through the Ministry of Corporate Affairs,
Shastri Bhawan,
Dr. Rajendra Prasad Road,
New Delhi - 110 001.
Represented by the Secretary

2. The Registrar of Companies,
Office of the Registrar of Companies,
Tamil Nadu, Chennai,
"Shastri Bhawan", II Floor,
No.26, Haddows Road,
Chennai - 600 006.

.. Respondents

Prayer: Writ Petition filed under Article 226 of the Constitution of India praying for a Writ of Certiorarified Mandamus calling for the records in document titled "List of Disqualified Directors - 164 (2) (a) for the block years 2015-16, 2016-17 and 2017-18 under ROC Chennai - DRIVE III" dated 13.12.2019 ("Impugned Order") on the file of the 2nd respondent uploaded on the website of the 1st respondent at the link: http://www.mca.gov.in/Ministry/pdf/DisqualifiedDirectorsChennai_13122019.pdf whereby the petitioner has been disqualified as a Director (DIN - 01485038) under section 164 (2) (a) of the Companies Act, 2013 and his DIN is suspended for the period 01.11.2018 till 31.10.2023 at S.No.1167 of the Impugned Order and quash the same and consequentially direct the respondents herein to activate the petitioner's DIN bearing No.01485038 and permit the petitioner to be reappointed as director of any company or appointed as director or continue functioning as a director in any company without hindrance.

For Petitioner : Mr.R.Sandeep Bagmar

For Respondents : Mr.A.K.Manoj Kumar
Central Government Standing Counsel

O R D E R

Challenge is laid to the order of the second respondent dated 13.12.2019, insofar as the petitioner is concerned, and consequential direction is sought for to direct the respondents herein to permit the petitioner to be reappointed as director of any company or appointed as director or continue functioning as a director in any company without hindrance.

2. Heard the learned counsel on either side and perused the materials placed before this Court.

3. The issue involved in this writ petition is no more a res integra. It is to be stated that the Registrar of Companies (RoC) has been disqualifying the Directors under Section 164(2)(a) of the Companies Act, 2013 by order dated 08.09.2017. Another list was published in the website of the first respondent on 01.11.2017 disqualifying the Directors. Yet another list of Directors were disqualified on 17.12.2018 by the RoC.

4. Several of the Directors so disqualified under the above mentioned notifications dated 08.09.2017 and 01.11.2017 challenged the same before this Court and this Court by order dated 03.08.2018 in Bhagavan Das Dhananjaya Das V. Union of India , (2018) 6 MLJ 704, allowed the batch of writ petitions and set aside the aforesaid notifications/orders.

5. The notification dated 17.12.2018, which was uploaded in the website by the first respondent on 18.12.2018 was challenged on the strength of the judgment of this Court in Bhagavan Das case (cited supra). However, they were dismissed by this Court, and such orders were passed on 27.01.2020 and 10.02.2020, etc. The said orders were put to challenge in a batch of writ appeals, which were dealt with by the Hon'ble First Bench of this Court in W.A.No.569 of 2020, etc. batch (Meethelaveetil Kaitheri Muralidharan V. Union of India, 2020 SCC OnLine Mad 1958). The Hon'ble Division Bench in the said order dealt with the powers of the RoC in the light of Sections 164 and 167(1) of the Companies Act, 2013 and Rule 14 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 and also has elaborately considered as to whether the RoC is entitled to deactivate the Director Identification Number (DIN) by referring to the Rules 19, 10 and 11 of the said 2014 Rules and held as follows :

"41. As is evident from the above, Rules 9 and 10 deals with the application for allotment of DIN. Rule 10(6) specifies that the DIN is valid for the life time of the applicant and shall not be allotted to any other person. Rule 11 provides for the cancellation or surrender or deactivation of the DIN. It is very clear upon examining Rule 11 that

neither cancellation nor deactivation is provided for upon disqualification under Section 164(2) of CA 2013. In this connection, it is also pertinent to refer to Section 167(1) of CA 2013 which provides for vacating the office of director by a director of a Defaulting Company. As a corollary, it follows that if a person is a director of five companies, which may be referred to as companies A to E, if the default is committed by company A by not filing financial statements or annual returns, the said director of company A would incur disqualification and would vacate office as director of companies B to E. However, the said person would not vacate office as director of company A. If such person does not vacate office and continues to be a director of company A, it is necessary that such person continues to retain the DIN. In this connection, it is also pertinent to point out that it is not possible to file either the financial statements or the annual returns without a DIN. Consequently, the director of Defaulting Company A, in the above example, would be required to retain the DIN so as to make good the deficiency by filing the respective documents. Thus, apart from the fact that the AQD Rules do not empower the ROC to deactivate the DIN, we find that such deactivation would also be contrary to Section 164(2) read with 167(1) of CA 2013 inasmuch as the person concerned would continue to be a director of the Defaulting Company.

43. In the result, these appeals are allowed by setting aside the impugned order dated 27.01.2020. Consequently, the publication of the list of disqualified directors by the ROC and the deactivation of the DIN of the Appellants is hereby quashed. As a corollary to our conclusion on the deactivation of DIN, the DIN of the respective directors shall be reactivated within 30 days of the date of receipt of a copy of this order. Nonetheless, we make it clear that it is open to the ROC concerned to initiate action with regard to disqualification subject to an enquiry to decide the question of attribution of default to specific directors by taking into account the observations and conclusions herein. No costs. Consequently, connected miscellaneous petitions are closed."

6. Further, in this case, the petitioner states that he had ceased to be the director of the company from the date of tendering his resignation, i.e., 25.09.2013. However, his name has been included in the list of disqualified directors for the block years 2015-2016, 2016-2017 and 2017-2018.

7. In view of the aforesaid position, following the decision of the Hon'ble First Bench of this Court in Meethelaveetil Kaitheri Muralidharan's case (supra), this writ petition is allowed, in the terms indicated in the aforesaid judgment. No costs. Consequently, connected miscellaneous petitions are closed.

Sd/-

Assistant Registrar

//True Copy//

Sub Assistant Registrar

rsi

To

1. The Secretary,
Union of India,
Ministry of Corporate Affairs,
Shastri Bhawan,
Dr. Rajendra Prasad Road,
New Delhi - 110 001.
2. The Registrar of Companies,
Office of the Registrar of Companies,
Tamil Nadu, Chennai,
"Shastri Bhawan", II Floor,
No.26, Haddows Road,
Chennai - 600 006.

+1cc to Mr.Sandeep Bagmar, Advocate, S.R.No. 41934

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W.P.No.1991 of 2020

SPD (CO)
GN (07/01/2021)

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