

IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED : 10.02.2021

CORAM

THE HONOURABLE MR.JUSTICE ABDUL QUDDHOSE

W.P. No.2885 of 2021
and
WMP Nos.3229 and 3230 of 2021

1. Narasimhan Prasannaier
2. Siva Subramanian Gnana
Subhramanya Aiyer Petitioners

Vs.

1.Union of India
Represented by its Secretary
Ministry of Corporate Affairs,
Shastri Bhawan,
Dr.Rajendra Prasad Road,
New Delhi - 110 001.
2. The Registrar of Companies,
IInd Floor, No.26,
Haddows Road, Shastri Bhawan 26,
Chennai - 600 006. Respondents

Prayer : Writ Petition filed under Article 226 of the Constitution of India to issue a Writ of Certiorarified Mandamus calling for the records of the 2nd respondent relating to the impugned order dated 18.12.2018 uploaded in the website of the 1st respondent in so far as the petitioner herein is concerned, quash the same as illegal, arbitrary and devoid of merit and consequentially direct the respondents herein to permit the 1st petitioner (having DIN No.01860504) and 2nd Petitioner (having DIN No.01698506) to get reappointed as Director in the Company or appointed in any other company without any hindrance.

For Petitioners : Mr.Sankar Varadharajan

For Respondents : Mr.A.Prakash
CGSC

ORDER

Mr.A.Prakash, learned Central Government Standing Counsel accepts notice for the respondents.

2. This writ petition has been filed challenging the disqualification of the petitioners as Directors under Section 164(2)(a) of the Companies Act, 2013 on the ground that they have not submitted financial statements for three consecutive financial years. The petitioners have challenged the impugned order dated 18.12.2018 passed by the second respondent on the ground that without affording opportunity to the petitioners, the said order has been passed.

3. Heard Mr.Sankar Varadharajan, learned counsel for the petitioners and Mr.A.Prakash, learned Central Government Standing CGSC appearing for the respondents.

4. By consent of both the parties, this writ petition is taken up for final disposal at the time of admission itself.

5. It is also contended by the learned counsel for the petitioners that the impugned order dated 18.12.2018 has been passed in violation of the provisions of the Companies Act, 2013 and therefore the said order is bad in law.

6. The issue raised in these writ petitions was considered by the Hon'ble Division Bench of this Court by its order dated 09.10.2020 in W.A. No.569 & Ors. of 2020 in the case of Meetgelaveetil Kaitheri Muralidharan Versus Union of India & Another and in paragraphs 36 and 38, it has been held as follows :

36. 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.

38. 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.

7. The case on hand stands on the same footing. In the instant case, also, no notice was given to the petitioners before disqualifying them as Directors of M/s.Dobex Agencies and services Private Limited.

8. For the foregoing reasons, the ratio laid down by the Hon'ble Division Bench of this Court, dated 09.10.2020 in W.A. No.569 & batch applies to the facts of the instant cases also.

9. Accordingly, the impugned order dated 18.12.2018 passed by the second respondent disqualifying the petitioners as Directors of M/s.Dobex Agencies and services Private Limited. under Section 164(2) (a) of the Companies Act, 2013 is hereby set aside in the terms indicated in the aforesaid judgment and this writ petition is allowed. No costs. Consequently, connected Miscellaneous Petitions are closed.

Sd/-
Assistant Registrar(CS IV)

//True Copy//

Sub Assistant Registrar

vsi2
To

1.The Secretary,
Ministry of Corporate Affairs,
Shastri Bhawan,
Dr.Rajendra Prasad Road,
New Delhi - 110 001.

2. The Registrar of Companies,
IInd Floor, No.26,
Haddows Road, Shastri Bhawan 26, ,
Chennai - 600 006.

+1cc to Mr.A.Prakash, Advocate Sr.7614

W.P. No.2885 of 2021

ssd[co]
srg 05/03/2021

WEB COPY