

IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 10.03.2021

C O R A M

THE HONOURABLE MR. JUSTICE ABDUL QUDDHOSE

W.P.Nos.5884 & 5885 of 2021

&

W.M.P.Nos.6478, 6481, 6482 & 6485 of 2021

Sankaran Kannan ... Petitioner in W.P.No.5884 of 2021
Kannan Vinodhini ... Petitioner in W.P.No.5885 of 2021

Vs.

1.Union of India,
Represented by its
Ministry of Corporate Affairs,
Shastri Bhavan, Dr.Rajendra Prasad Road,
New Delhi - 110 001.

2.The Registrar of Companies,
Block No.6, B-Wing, 2nd floor,
Shastri Bhawan, 26 Haddows Road,
Chennai - 600 006. ... Respondents

COMMON PRAYER: Petitions filed under Article 226 of the Constitution of India praying to issue a writ of certiorarified mandamus calling for the records of the second respondent relating to the impugned order dated 01.11.2017 uploaded in the website of the 1st respondent in so far as the respective petitioners are concerned, quash the same as illegal, arbitrary and devoid of merits and consequently direct the respondents herein to permit the respective petitioners to get reappointed as Directors of any company without any hindrance.

For Petitioner
in both W.Ps. :Mr.R.Renjith

For Respondents
in both W.Ps. :Ms.A.Anuradha

Assistant Central Government Standing
Counsel

COMMON ORDER

These writ petitions have been filed challenging the disqualification of the respective 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 respective petitioners have challenged the impugned order dated 01.11.2017 passed by the second respondent on the ground that without affording opportunity to the respective petitioners, the said order has been passed.

2. Ms.A.Anuradha, learned Assistant Central Government Standing Counsel accepts notice for the respondents. By consent of both the parties, this writ petition is taken up for final disposal at the time of admission itself.

3. Heard Mr.R.Renjith, learned counsel for the respective petitioners and Ms.A.Anuradha, learned Assistant Central Government Standing Counsel for the respondents.

4. It is contended by the learned counsel for the respective petitioners that the impugned order dated 01.11.2017 has been passed in violation of the provisions of the Companies Act, 2013 and therefore, the said order is bad in law.

5. The issue raised in this writ petition 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.

6. The case on hand stands on the same footing. In the instant case also, no notice was given to the respective petitioners before disqualifying them as Directors of M/s.C2C Management Services Private Limited.

7. 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 case also.

8. Accordingly, the impugned order dated 01.11.2017 passed by the second respondent disqualifying the respective petitioners as Directors of M/s.C2C Management Services Private Limited under Section 164(2) (a) of the Companies Act, 2013 is hereby set aside in the terms indicated in the aforesaid judgement and these writ petitions are allowed. No costs. Consequently, connected miscellaneous petitions are closed.

Sd/-

Assistant Registrar

//True Copy//

Sub Assistant Registrar

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To

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

2.The Registrar of Companies,
Block No.6, B-Wing, 2nd floor,
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W.P.Nos.5884 & 5885 of 2021

PMK (CO)
RMP (25/03/2021)



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