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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**
Date of Decision: 15th January, 2021
+ **W.P.(C) 604/2021**

MEENA SINGH

..... Petitioner

Through: Mr. Himanshu Harbola and Ms.
Kaveri Verma, Advocates (M:
9873140021)

versus

UNION OF INDIA & ORS.

..... Respondents

Through: Mr. Ranvir Singh, Advocate
Mr. Santosh Kumar, Registrar of
Companies, Delhi

CORAM:

JUSTICE PRATHIBA M. SINGH

Prathiba M. Singh, J. (Oral)

1. This hearing has been done by video conferencing.

CM APPL. 1524/2021 (for exemption) in W.P.(C) 604/2021

2. Allowed, subject to all just exceptions. Application is disposed of.

W.P.(C) 604/2021 & CM APPL. 1523/2021 (for stay)

3. The Petitioner is a director of four companies, namely, Dayal Beverages Limited, Velocity Projects Private Limited, Maan Infradevelopers Private Limited and Super Buildmart Private Limited. Two companies are registered in Uttar Pradesh and two are registered in Delhi. All four companies are active companies, however, they are non-compliant companies for non-filing of their returns. Due to alleged non-compliance/default in Dayal Beverages Limited under Section 164(2)(a) of the Companies Act, 2013 i.e., non-filing of financial statements or annual returns for any continuous period of three financial years, the said Petitioner was also disqualified as a director from 1st November, 2017 to 31st October, 2022 and

his DIN and DSC were de-activated.

4. This Court has considered the legal position relating to activation of DIN/DSC numbers of directors of defaulting companies in **Anjali Bhargava & Anr. v. UOI & Anr. [W.P.(C) 11264/2020, decided on 6th January, 2021]**.

The relevant portion of the said order reads:

“4. There are four categories of Directors that are approaching Courts seeking setting aside of disqualification and activation of DIN/DSC numbers.

(a) Directors who have been disqualified prior to 7th May 2018, qua other companies in addition to the defaulting company:

*As per the proviso to Section 167 (1) (a) of the Companies Act, 2013, once a director is disqualified qua one company i.e., the defaulting company, the office of the said director would become vacant in all companies. The said proviso, has, however, come into effect only on 7th May, 2018. In **Mukut Pathak (supra)** it was held that this proviso cannot have retrospective effect and would only apply if the disqualification took place after 7th May 2018. Paragraph 98 of **Mukut Pathak (supra)** reads as under:*

“98. In view of the above, the petitioners would not demit their office on account of disqualifications incurred under Section 164 (2) of the Act by virtue of Section 167(1)(a) of the Act prior to the statutory amendments introduced with effect from 07.05.2018. However, if they suffer any of the disqualifications under Section 164(2) on or after 07.05.2018, the clear implication of the provisos to Section 164(2) and 167(1)(a) of the Act are that they would demit their office in all companies other than the defaulting company.”

*Since there is no stay on the judgment in **Mukut Pathak (supra)**, it continues to hold the field. Thus, in cases where directors have been disqualified prior to 7th May, 2018, the proviso to Section 167(1)(a) would not apply and the directors would continue to be directors in companies other than the defaulting company. The disqualification of such directors qua active companies would therefore be liable to be set aside and their DIN and DSC's reactivated.*

(b) Directors who have been disqualified post 7th May 2018, qua other 'active' companies:

*As held in **Mukut Pathak (supra)**, in all cases where the directors have been disqualified on or after 7th May, 2018, the proviso to Section 167 (1) (a) would apply and such directors would cease to be directors in all companies including the defaulting company. In March, 2020, in light of the COVID- 19 pandemic, the Ministry of Corporate Affairs vide General Circular No. 12/2020 introduced CFSS-2020 to allow a fresh start for defaulting companies and directors of such companies. This Court, in **Sandeep Agarwal (supra)** has analyzed CFSS-2020 to conclude that the purpose of the scheme is to provide an opportunity for 'active' companies i.e., companies whose names have not been struck off, who may have defaulted in filing of documents, to put their affairs in order.*

...

*Applying the scheme to the facts of the case, this Court in **Sandeep Agarwal (supra)** directed reactivation of the DINs and DSCs of directors of two companies – one whose name had been struck off and one, which was still active. Thus, the DINs and DSCs of disqualified directors of struck off companies, who are also directors in active companies, may be reactivated qua the active companies, in line with the spirit of the*

CFSS-2020.

(c) Directors of 'active' companies who have been disqualified:

*In cases where directors of 'active' companies have been disqualified, CFSS-2020 would squarely apply. Such directors would be entitled to avail of CFSS-2020 and file documents of the defaulting company. In **Radhika Byrn (supra)**, the Court permitted reactivation of the DINs and DSCs of the directors of active companies under CFSS-2020.*

(d) Disqualified directors of struck off companies seeking appointment as directors in other/new companies:

The purpose of CFSS-2020 has been elucidated in the circular of the Ministry of Corporate Affairs as follows:

"In furtherance of the Ministry's Circular No 11/2020, dated 24th March, 2020 and in order to facilitate the companies registered in India to make a fresh start on a clean slate, this Ministry has decide to take certain alleviative measures for the benefit of all companies."

This scheme has been introduced in view of the COVID-19 pandemic with the aim to enable a fresh start to defaulting companies and directors of such companies. The disqualification of defaulting companies was a step which was taken sometime in 2016-17 in order to ensure that filing of regular returns and compliances are undertaken strictly as per the provisions of the Act. It was also meant to be a measure to ensure that entities that are not conducting businesses are not misused as 'shell companies' for any improper activities. A substantial part of the disqualification period has already been completed. The introduction of the CFSS is itself a step for 'providing a fresh start'. Under such circumstances,

continuation of the disqualification would defeat the Scheme and its purpose.

5. *In furtherance of the purpose of this scheme, directors of struck off companies who seek to be appointed as directors of other/new companies, ought to be provided an opportunity to avail of this scheme, provided that they have undergone a substantial period of their disqualification. The scheme clearly seeks to provide a fresh start for directors of defaulting companies who seek appointment in other companies or wish to start new businesses. Therefore, if a substantial period has passed since the disqualification of such directors, they ought to be given an opportunity to avail of the scheme.”*

5. Mr. Santosh Kumar, Registrar of Companies, Delhi was requested to join the proceedings. He has joined the proceedings today. On a specific query from the Court, he has informed the Court that the Companies Fresh Start Scheme-2020 has expired as on 31st December, 2020. However, he submits that in case struck off companies are willing to file their annual returns and balance sheets, the restoration of these companies is being considered by the ROC. He further informs the Court that in the case of more than 2000 companies, restoration of the struck off companies has been permitted by the NCLT and the jurisdiction for restoring the struck off companies rests with the NCLT.

6. Accordingly, in terms of the judgment in ***Mukut Pathak & Ors. v. Union of India & Ors., 265 (2019) DLT 506*** as also in ***Anjali Bhargava (Supra)***, since the disqualification is prior to 7th May, 2018, the Petitioner would fall in category ‘a’. Thus, the disqualification of the Petitioner *qua* the other active companies would be liable to be set aside. Accordingly, the DIN

and DSC of the Petitioner be re-activated within a period of ten days from today.

7. The petition is disposed of in the above terms. All pending applications are also disposed of.

8. The digitally signed copy of the order shall be treated as the certified copy of the order for being filed before the ROC.

PRATHIBA M. SINGH
JUDGE

JANUARY 15, 2021

Rahul/C

(corrected and released on 19th January, 2021)

