
Dharam Godha Vs Universal Paper Mills Ltd.

APO No. 370 of 2011 and ACO No"s. 74 and 150 of 2011

Court: Calcutta High Court

Date of Decision: April 19, 2012

Acts Referred:

Civil Procedure Code, 1908 (CPC) " Order 2 Rule 2, Order 7 Rule 11#Companies Act, 1956 " Section 10F, 397, 398, 399#Constitution of India, 1950 " Article 226#Sick Industrial Companies (Special Provisions) Act, 1985 " Section 15, 22A, 3(1)(o)

Citation: (2012) 2 CALLT 589 : (2012) 110 CLA 32 : (2012) 113 SCL 491

Hon'ble Judges: Sanjib Banerjee, J

Bench: Single Bench

Advocate: S.N. Mookerji, Ratnanko Banerji, Aniruddha Roy, Ms. Ranjabati Sen, Siddhartha Sharma and Nirmalya Das Gupta, for the Appellant;S.K. Kapur, D. Basak, Deepak Jain, D. Sharma, Surajit Nath Mitra and Arindam Mukherjee, for the Respondent

Judgement

@JUDGMENTTAG-ORDER

Sanjib Banerjee, J.

Though this appeal u/s 10F of the Companies Act, 1956 appears to be only another round of skirmish between two

opposing groups in a matter pertaining to the control of a company, there are certain other striking features that engage the attention beyond the

theatre of conflict between the parties. But to begin with, the disputes between the parties require immediate attention before the other aspect of

significant public importance may be alluded to. The appeal is against an order passed by the Principal Bench of the Company Law Board in New

Delhi, dismissing proceedings instituted under, inter alia, Sections 397 and 398 of the Companies Act. The appellants were the petitioners before

the Company Law Board (CLB) and are distraught at their claim for substantive reliefs failing on a demurrer some four years after the petition was

lodged, particularly since the petition had been heard out before a previous chairman of the CLB who demitted office without delivering the

judgment thereon. The appellants express their anguish at being debarred from urging their case on merits on the twin grounds that they did not

meet the statutory qualification for maintaining the petition and that the proceedings were in abuse of process. They complain that upon the petition

having previously progressed to final hearing - which was completed - it was no longer open to the CLB to slam the door on them for their not

being able to demonstrate their collective shareholding strength in the first respondent company being in excess of the threshold mark of 10 per

cent of its paid-up capital. The appellants insist that even if they were to fail on such score it had to be on a more protracted assessment of their

entitlement in the shareholding of the company since they had asserted in the petition that they had the statutory requisite holding. The appellants

contend that once a statement was made in the petition asserting the requisite percentage of shareholding in the company, the petition could no

longer be rejected out of hand on a point of demurrer in such regard without the appellants being permitted to explain the circumstances in which

they claimed to meet the statutory benchmark. They submit that when the charge on merits in their petition was that the respondents had oppressed

the appellants and had mismanaged the affairs of the company to deny the appellants the shares that they were entitled to in the company, the issue

was elevated to one that called for an adjudication on merits and could not be decided on a stray assertion by the beneficiary of the perceived

wrongdoing to non-suit the appellants.

2. As to the other ground that has been found against the appellants, they say that the CLB erred in law in failing to appreciate the scope of the

other proceedings involving some or all of the parties herein and the judgment impugned betrays complete ignorance of the principles referred to

therein.

3. The disputes are between the appellant Godha group and the respondent Kala group. Though any reference to facts has to be kept to the barest

minimum in the context of the present appeal, a summary may be culled out from the list of dates prepared by the contesting respondents.

4. The company, Universal Paper Mills Limited, was incorporated in 1972 and it established a paper mill in Jhargram. In or about 1988-89, the

first appellant, Dharam Godha, and his associates and concerns owing allegiance to him came to control the company. Within a year of the first

appellant coming to the helm of the company, its networth turned negative and a reference relating to the company was made to the Board for

Industrial and Financial Reconstruction under the Sick Industrial Companies (Special Provisions) Act, 1985. In June, 1997 the company's paper

mill was devastated by a fire. A claim was made by the company but it was rejected by the insurance company. The insurance claim was ultimately

carried to the National Consumer Disputes Redressal Commission. In 2001, a secured creditor of the company instituted proceedings before the

appropriate Debts Recovery Tribunal under the Recovery of Debts due to Banks and Financial Institutions Act, 1993 and joint receivers were

appointed over the secured assets of the company, including its factory. The first appellant was one of the respondents to the DRT proceedings as

a guarantor on behalf of the company. The appellants' primary complaint before the CLB in the proceedings under Sections 397 and 398 of the

Act was that the Kala group had wrongfully wrested control of the shares in the company, caused the illegal transfer thereof from the names of the

appellants and their associates to the respondents' names and engineered the ostensible alienation of the only valuable asset of the company, its

paper mill. The paper mill is said to have been sold to the respondent No. 25 in the CLB proceedings; such transferee was claimed to be under the

exclusive control of the Kala group.

5. In March, 2004 the appellants or one of them or their associate or associates instituted a suit, CS No. 37 of 2004, on the Original Side of this

Court complaining of the Kala group having stolen some shares belonging to the Godha group and wrongfully causing the transfer thereof in the

Kala group's favour for the purpose of usurping control of the company. On an interlocutory application at the initial stage of the suit, ad interim

orders were refused to the plaintiffs. An appeal was filed from the relevant order but the same was ultimately not pursued and withdrawn. CS No.

37 of 2004 has since been unconditionally withdrawn on March 5, 2008. But a lot transpired between the time when such suit was instituted and it

was unconditionally withdrawn.

6. In a subsequent suit being CS No. 113 of 2007 filed by the appellants in this Court sometime after the CLB proceedings had been instituted,

the grievance made was that a further lot of shares had allegedly been stolen by the Kala group from the appellants and transferred in favour of the

Kala group. By then, the Kala group was firmly at the helm of the company, the paper mill had been sold to the respondent No. 25 in the CLB

proceedings, the claim of the secured creditor in the DRT proceedings had been settled and substantial payments had apparently been made to

other creditors of the company.

7. The proceedings under Sections 397 and 398 of the Companies Act were initiated in February, 2007. It was stated in the petition that the

original suit instituted by the petitioners before the CLB, CS No. 37 of 2004, would be withdrawn since the matters covered by such previous suit

had been incorporated in the petition before the CLB. The second suit was filed by the appellants subsequent to the institution of the CLB

proceedings and such suit remains pending though its continuation has been arrested since the writs of summons therein were not served on the

defendants in the suit within any reasonable time of the institution of the action.

8. It is necessary to now refer to the proceedings before the Debts Recovery Tribunal (DRT), the National Consumer Disputes Redressal

Commission (NCDRC) and the Board for Industrial and Financial Reconstruction (BIFR) since the orders passed in such proceedings weighed

with the CLB in passing the impugned order. As noticed above, an initial order was made by the appropriate DRT on the application of a secured

creditor that restrained, inter alia, the alienation of the fixed assets of the company. Though the secured creditor's claim was subsequently settled at

the behest of the Kala group, the first appellant herein applied before the DRT complaining of its order having been violated by the company and

its perceived wrongful management in the only meaningful asset of the company, the paper mill, being alienated in favour of the respondent No. 25

in the CLB proceedings. On the first appellant's application before the DRT, an order was made on November 30, 2006. The Tribunal reasoned

that since the object of the order of injunction was to ensure that the claimant in the proceedings was not jeopardised by the sale of the respondent

company's assets in the interregnum and since the basis for such injunction was rendered redundant upon the claim being satisfied, the tribunal was

not called upon to go into the violation of its order at the behest of a guarantor in the transaction who had not contributed to the settlement of the

claim.

9. In the proceedings arising out of the insurance claim, the NCDRC passed an order on July 27, 2010 which is also of some relevance in the

context of the order impugned. The NCDRC found that the company was entitled to a sum of Rs. 5 crore in respect of the insurance claim

following the fire at its factory. Since there were disputes between the Godha and the Kala groups as to the right to control the company and,

consequently, the right to receive such substantial payment, both sets of parties sought to establish the authority to receive the payment on the

company's behalf before the NCDRC. It was in such context that the order dated July 27, 2010 was rendered where the commission directed

that the insurance amount payable to the company should be kept with the CLB ""so that its utilization is insured."" The NCDRC did not, as it did

not fall within the ambit of its authority and was otherwise not warranted in the circumstances, decide on the dispute between the two warring

groups claiming exclusive rights to the management of the company. The NCDRC noticed that such issue was pending consideration of the CLB

and it required the money to be made available to the CLB for disbursement thereof according to the directions of the CLB.

10. In the proceedings under the said Act of 1985 before the BIFR, the same dispute as to which of the groups was entitled to be in control of the

company was raised. An order was passed by the BIFR on September 5, 2008 where the Board noticed that the company which was the subject

of the reference before it had sold its assets, including its factory. The Board observed that the sale of the company's factory had been made prior

to an order dated March 8, 2007 issued u/s 22A of the said Act of 1985 to restrain the company from disposing of its assets without the approval

of the Board. The Board also observed that upon the sale of the manufacturing facility of the company, it had lost its industrial character and, as a

consequence, the company was no longer amenable to the provisions of the said Act of 1985.

11. The BIFR order of September 5, 2008 was carried in appeal in the name of the company but with the Godha group seeking to espouse the

company's cause. The Appellate Authority for Industrial and Financial Reconstruction (AAIFR) passed an order on January 14, 2010 which is of

some relevance. As usual, the disputes between the two groups as to the control of the company took centrestage in the proceedings before the

AAIFR and much of the order dated January 14, 2010 was devoted to such disputes. Paragraphs 20 and 27 of the AAIFR order are of some

significance:

20. So far as the question of transfer of shares is concerned, allegations of fraudulent transfers, fabrication and forging of documents, violation of

provisions of Companies Act, 1956 have been made by the appellant. It has been further argued that the matter relating to these issues is pending

before the CLB which is the competent authority for adjudication of these matters. Therefore, we are of the view that it would not be appropriate

for us to go into these issues.

27. Considering the totality of the facts and circumstances of the case and further considering the various arguments raised by the parties, we are of

the view that the change of management from the Godha Group to Ashok Kala Group and subsequently M/s. Uniglobal Papers (P.) Ltd. without

the permission of the BIFR cannot be recognised and is not binding on the BIFR. The question of transfer of shares is already pending before the

CLB, subsequent transfer of property in favour of M/s. Uniglobal (P.) Limited after change of management is also not binding on the BIFR.

Consequently, the BIFR can only recognise the management of Godha Group which existed at the time of filing of the reference and formulation of

the DRS before the change of management of UPML to Ashok Kala Group and therefore, we are of the view that the management and

possession of assets of the UPML should be restored to Godha Group. The amount of Rs. 50 lakhs deposited by the Godha Group in an NLA

account with OA is to be utilised for the revival of the company and if not, the same shall be refunded to them. We have also observed that the

dismissal of reference is not proper after the declaration of the company as a sick industrial company in terms of Section 3(1)(o) of SICA. The

reference cannot be de-registered once the company declared as sick. Therefore, under the circumstances, we allow the appeal, set aside the

impugned order and remand the case to BIFR to consider the formulation of a fresh or modified DRS within a period of 3 months from the date of

communication of this order and, thereafter, proceed further to finalise the DRS in accordance with the law.

12. The AAIFR took a view, based on a judgment of the Delhi High Court, that once a reference relating to a sick company had been taken up by

the BIFR, no change in its management could be brought about without the leave or knowledge of the BIFR. The AAIFR, thus, did not recognise

the transfer of the management of the company to the Kala group, accepted that the Godha group was entitled to the management of the company

and gave further directions for the revival of the manufacturing unit of the sick industrial company by brushing aside the suggestion that the factory

of the company had been transferred in the interregnum to an apparent outsider.

13. Two sets of proceedings arose from the AAIFR order of January 14, 2010. The Godha group instituted proceedings under Article 226 of the

Constitution of India before the Delhi High Court complaining of the AAIFR having failed to pass further orders as sought. No meaningful order

was passed on such petition and it is unclear whether it remains pending. The Kala group carried the AAIFR order to this Court by way of a writ

petition complaining of the impropriety thereof. On the writ petition filed in this Court, an ad interim order was passed requiring status quo to be

maintained or, in other words, the management of the company to remain with the Kala group. Such order was carried in appeal. The Appellate

Court retained the Trial Court order but made some key observations while disposing of the appeal by an order dated March 2, 2010. The

Appellate Court noticed that the Kala group was in management of the company since or about 2001-02 and in the appropriate proceedings

before the CLB, no adverse finding had been rendered against the Kala group till such date. The Appellate Court also noticed a deed of

assignment of December 8, 2006 under which the factory of the company stood transferred to the respondent No. 25 in the CLB proceedings.

Paragraphs 18 to 20 of the appellate order are of immense significance not only in the context of the impugned order but also in the manner in

which such order has been given a twist by the CLB in the judgment and order under appeal:

18. Since the proceedings before the Company Law Board are still pending it will be open to the parties to prove (before) the Company Law

Board and upon conclusion of such proceedings to move the learned Single Judge for final hearing of the writ petition.

19. For the reasons aforesaid, we do not find any merit in this appeal. The appeal is, therefore, dismissed.

20. It is clarified we may not be treated to have expressed any opinion on the controversies which are the subject matter of proceedings before the

Company Law Board. Neither this judgment nor pendency of the writ petition before the learned Single Judge shall preclude the Company Law

Board from hearing and deciding C.P. No. 201 of 2007.

14. It is, thus, evident that the NCDRC did not address the question of which of the two groups was entitled to be in the management of the

company or entitled to receive the insurance claim since it noticed that the issue was pending before the CLB. In any event, the ordinary scope of

the jurisdiction exercised by the NCDRC would not have permitted it to address the dispute as to the right to the management of a company in all

completeness. Similarly, the appellate authority under the said Act of 1985 also observed that the issue as to the appropriate group's entitlement to

be in the management of the company was pending before the CLB. However, the AAIFR felt that it was within the scope of its authority under

the said Act of 1985 to undo what had been done in derogation of the statute. It was in such circumstances that it refused to recognise the change

in management in the company effected during the pendency of the reference before the BIFR and, rather than reinstating the Godha group, the

AAIFR recognised that only the Godha group could be legally in control of the management of the company. The AAIFR also understood it to be

within its domain to undo a transaction of alienation of the company's manufacturing facility during the pendency of a reference under the said Act

of 1985.

15. It must also be appreciated that though there is an ad interim order passed in proceedings under Article 226 of the Constitution of India arising

out of the AAIFR order of January 14, 2010, the AAIFR order has not been altogether obliterated nor has the appellate order of March 2, 2010

to be seen as a complete substitute for the AAIFR order. The position is to be decided only after the writ petition is conclusively disposed of. It is

only an ad interim order that governs the field.

16. CP No. 201 of 2007 had been taken up for final hearing in the year 2009 and judgment reserved at the conclusion of the hearing. It transpires,

however, that the then Chairman or officiating Chairman of the CLB demitted office without delivering the final judgment. In course of the CLB

proceedings, upon the sum of Rs. 5 crore being deposited with the CLB following the NCDRC direction, there were some clashes between the

rival factions as to the manner of utilisation of the money. Appeals from apparently innocuous orders passed by the CLB in such regard were also

carried to this Court u/s 10F of the Companies Act. Ultimately, in one of the several appeals, this Court directed the Sections 397 and 398

proceedings to be finally disposed of and a block of dates was assigned by the CLB in April of 2011 for such purpose. Just prior to the final

hearing of the CP No. 201 of 2007 being taken up finally, the first respondent before the CLB filed an application in the nature of demurrer

seeking dismissal of the petition without the merits thereof being looked into. In the words of the CLB in the opening paragraph of the impugned

judgment, such application was founded ""on the principles of O.VII Rule 11 of the CPC, res judicata, constructive res judicata, estoppel,

acquiescence, O.II Rule 2 of the CPC, suppression of material facts etc."" The CLB recognised that such matters as had been referred to by it in its

description of the demurrer application, including matters as to estoppel, acquiescence and suppression of material facts, could be taken up and

dealt with without any assessment of facts or any investigation into the allegations levelled in the petition before it. The appellants say that in the

very approach adopted by the CLB, it is evident that it failed to appreciate the scope of the application or the tools that were necessary for the

assessment thereof. The appellants insist that the judgment impugned is perverse in its every sentence and betrays an abject inability on the part of

the relevant member of the CLB in adjudicating a matter of the particular type.

17. One further matter needs to be referred to before returning to the judgment and order impugned and the manner in which the CLB proceeded

to evaluate the preliminary challenge. Upon the application of the first respondent before the CLB for rejection of the company petition being filed

some four years after it had been instituted and after the matter had once been heard out on merits but the judgment not delivered for no fault of the

parties, the CLB opined that the application would be taken up along with the hearing of the company petition on merits. The Kala group rushed to

this Court from such order, convinced this Court that serious questions of law arose in such appeal and obtained an order that the application in the

nature of demurrer had to be considered first by the CLB. The present appellants did not relent, but carried the Section 10F order by way of a

SLP to the Supreme Court. The SLP was not entertained and was summarily dismissed but the Supreme Court observed, in the order dated May

4, 2011, as follows:

However, we direct the Company Law Board to expeditiously hear and dispose of pending Company Petition No. 201 of 2007, preferably by

30th June 2011.

18. Whatever may have been the effect of the order passed by this Court u/s 10F of the Companies Act for the demurrer application to be heard

out first, it is evident that the entire proceedings were directed by the Supreme Court to be disposed of by June 30, 2011. The CLB, however,

considered only the demurrer application and rendered judgment thereon on June 30, 2011, the very last date of the deadline set by the Supreme

Court.

19. The appellants suggest that the CLB misdirected itself and it is apparent from the face of the order impugned that the principles as to res

judicata, issue estoppel and abuse of process were either foreign to the concerned member of the CLB or the considerations relevant for assessing

the applicability of such principles were unknown to such member. The appellants refer to the inherent inconsistency in the impugned order in that it

finds the appellants guilty of abuse of process and multifariousness and yet permits the appellants to launch similar proceedings at a later date. The

appellants refer to the computer-age judicial malaise of copy-paste that is evident in several paragraphs of the impugned judgment and suggest that

at least four paragraphs from a previous judgment rendered by the same member that had been set aside by the Delhi High Court in appeal have

been verbatim pasted on a matter of law and included as part of the impugned judgment.

20. In the first 16 paragraphs of the impugned judgment, the CLB has noticed the genesis of the disputes between the parties and the tussle over

the control of the company and the spilling over of such fight in the different jurisdictions that has already been referred to hereinabove. Paragraphs

17 to 27 of the impugned order deal with the submissions of the parties and appear to bear a close resemblance to the written submissions filed by

the two sets of parties that have been disclosed in the present appeal. The judicial or quasi-judicial exercise in the judgment begins in right earnest

only from paragraph 28 thereof. But before referring to paragraphs 28 to 31 of the impugned judgment, it must be mentioned that most of

paragraphs 32 to 34 of the impugned judgment appear to have been physically lifted - the copy and paste disease - from a previous decision of the

same member of the CLB in a judgment rendered on November 24, 2010 in Chiranjit Khanna v. Khanna Paper Mills Ltd [CP No. 61 of 2007].

Such order of November 24, 2010 was taken up on appeal u/s 10F of the Act before the Delhi High Court. The High Court, by its judgment of

April 20, 2011, set aside the judgment and order of the CLB. The substance of the High Court opinion was that a question of eligibility u/s 399 of

the Companies Act would be, in most circumstances, a mixed question of fact and law. In other words, when a Section 397 or Section 398

petitioner before the CLB asserts its requisite qualification u/s 399 of the Act, unless such assertion is clearly demurrable on a point of law, in the

sense that such assertion is utterly unsustainable in any circumstances, the assessment of the qualification, and the consequent right of the party to

institute the proceedings for oppression and mismanagement as a shareholder of the company, has to be based on an investigation into the facts

pleaded in support of the qualification. Notwithstanding the view taken by the concerned member of the CLB in the Chiranjit Khanna's case

(supra) having been set aside, the legal basis of such overruled order has been reiterated without any application of mind in the judgment impugned

in the present proceedings.

21. Upon considering the brief facts pertaining to the disputes between the two sets of parties and the several proceedings referred to hereinabove,

the CLB rendered its substantive findings at paragraphs 28 and 29 of the report that need to be reflected herein in some detail, if only to

demonstrate how every sentence and the next therein cannot be supported on the basis of elementary legal principles and the most rudimentary

judicial acumen :

28. When C.A. No. 210/11 was mentioned on 13.04.2011 the date on which the matter was fixed for final hearing, on the statement of the

counsel that the C.P. had earlier been heard on merits by the then Chairman, this Bench proceeded to hear the C.A. No. 210/11 along with C.P.

on merits. Pursuant to Hon"ble Calcutta High Court's order, C.A. No. 210/11 has been heard first. Considering the rival submissions and the case

laws cited by the parties on applicability of the principles of Order VII Rule 11, res judicata, constructive res judicata, issue estoppel,

acquiescence, Order II Rule 2, it is noted that except that the Pradip Kumar Sengupta's case (supra) is no longer good law, the judgment has

been set aside by the Hon"ble Calcutta High Court, there is no quarrel as to what the ingredients of res judicata and issue estoppel as explained in

detail in the case of Mc Lkenney (supra) are, and as to what constitutes constructive res judicata and what needs to be seen for applicability of

Order VII Rule 11, and Order II Rule 2 of the CPC. On the Touchstone of these principles, when the facts of the instant C.P. as argued, are

tested, it is found that the Applicant"s contention that the three issues raised in the C.P. as per the pleadings and the reliefs sought pertain to

transfer of shareholding, change of management and sale of assets, which issues have been raised, pleadings considered and reliefs dealt with in the

Judgment and Order dated 14.01.2010 by Hon"ble AAIFR in Appeal No. 190 of 2008 read with orders passed by Hon"ble Calcutta High

Court, affirmed till the Hon"ble Supreme Court of India and Hon"ble Delhi High Court remains uncontroverted. DRT"s Judgment and Order dated

30.11.2006 dismissing an application on behalf of P-1, seeking restraint orders on sale of assets has attained finality as no appeal was preferred

against that order. NCDRC"s Judgment and Orders have been upheld till Hon"ble Supreme Court. What the Respondents/Petitioners have

contended is that these fora are not the Competent Courts to deal with the acts giving rise to oppression of the members and mismanagement of

the affairs of the R-1 Company which issues, the CLB alone is the Competent Court to consider and adjudicate upon (though the Applicant has

drawn my attention to certain averments in suit and these other proceedings wherein the Respondents/Petitioners have pleaded otherwise). Much

has been argued about the Competent Forum. However, there is no dispute that CLB has the jurisdiction qua the issues in challenge in the C.P.

But the Respondents/Petitioners being dominus litus have made their election - they have chosen their fora and have been pursuing and insisting on

the same reliefs which are sought in the C.P. on the same cause of action challenging all the issues. In 2004 suit they challenge one issue, they fail to

get relief, try their luck by filing Company Petition No. 201/2007, but decide not to mention the C.P. for 10 months and file another suit in 2007

challenging the remaining issues, do not disclose filing of Suit of 2007 to the CLB when they inform withdrawing of Suit of 2004 requesting CLB to

proceed with the matter, Suit of 2007 is filed prior to mentioning of the C.P. No. 201/07. CLB is not informed, nor do they inform the Hon"ble

High Court at Calcutta that there is a prior Suit pending. It is not a case of prior suit(s) alone. There are parallel proceedings. There are other

proceedings as well. All proceedings have not been disclosed. If this is not abuse of the process of the court, what else is abuse of the process of

the Court? What if the CLB had disposed of the C.P. during the pendency of the self same grounds in other proceeding arriving at conflicting

decisions. Can this be permitted is a question rightly posed by the Applicant. And can the issues be still decided by the CLB in a manner different

from what has been decided by the BIFR/AAIFR and NCDRC? W.P.(C) No, 530 of 2010 challenging AAIFR's order dated 14.1.2010 insofar

as issue qua transfer of shareholding is to be tried before the CLB, evidences abandonment of cause of action. Before the Hon"ble High Court in

W.P. 3085/201 Oil has already been pointed out that all issues raised before the AAIFR are sub-judice in C.P. AAIFR had directed restoration

of assets to Godha Group but such order was stayed by Calcutta High Court in W.P. 3085/10, an appeal from that order had been dismissed by

Double Bench on 2.3.2010. Principles of res judicata, constructive res judicata and issue estoppel apply.

29. It has been rightly contended by the Applicant Company that the petitioners are pursuing parallel proceedings, the respondents/petitioners are

guilty of forum shopping by filing multiple petitions before different fora based on the same cause of action. These proceedings are being actively

pursued by the Respondents/Petitioners. The present Petition is, therefore, hit by Res-judicata and also by the "Doctrine of Comity of Judgments

that is likely to result in conflicting decision by the independent judicial authorities. Civil Suit No. 113 of 2007 wherein sale of assets has been

challenged is hit by the principles of O.II Rule 2 of the CPC. Suit was got restored on 23.7.2010, pursuing the matter before the Hon"ble High

Court abandoning the cause of action before the CLB. In this matter the doctrine of Election applies as the petitioners have already made their

election of fora. The "doctrine of election" is a branch of "rule of estoppel", in terms whereof a person may be precluded by his actions or conduct

or silence when it is his duty to speak, from asserting a right which he otherwise would have had. The doctrine of election postulates that when two

remedies are available for the same relief, the aggrieved party has the option to elect either of them but not both." Law does not permit a person to

both approbate and reprobate. This principle is based on the doctrine of election. The two Civil Suits prior to mentioning of the C.P. No.

201/2007 contain the challenge of all issues which have been agitated in the C.P. Suits (now Suit No. 113/07 only since Suit No. 37/04 stands

withdrawn without liberty to file a fresh suit, in any case a fresh suit has also been instituted) are prior in time. Continuation of the Suit and agitating

of the issues before different fora including the AAIFR of the same issue which are in the C.P. has not been discontinued by withdrawing those

proceedings. The Respondents/Petitioners have pursued and are pursuing parallel proceedings before BIFR/AAIFR, Civil Suits in Hon"ble High

Court, DRT, NCDRC, Writ Petitions for the same cause of action, seeking same reliefs, calling upon every Court to adjudicate upon same issues.

There is multiplicity of proceedings which would result in conflicting orders gravely impairing the sanctity of orders by different fora. Whenever

there are parallel proceedings before concurrent judicial authorities, one proceedings is stayed in order to avoid conflicting orders, but there is no

bar on instituting such proceedings except where such proceedings are instituted with a view to abuse the process of Courts. This is clearly an

abuse of the process of the Court as rightly contended by R-25. Abuse of process does not depend upon success or failure, it depends upon the

act and intention of the litigant.

22. The CLB paid lip service to the principles of res judicata (curiously written as "res judicata in at least one place), constructive res judicata and

issue estoppel without attempting to assess how such principles were applicable to the facts of the matter before it. It is elementary that the

applicability of the doctrine of res judicata or the principle of issue estoppel would depend on several factors, including the scope of the previous

proceedings, the finality of the decision on the matters in issue in the previous proceedings, the ambit of authority of the judicial or quasi-judicial

forum in the previous proceedings, the nature of the parties involved in the previous proceedings and like matters. Apart from the fact that nothing

has been decided in the two suits instituted by the appellants before this Court or in the NCDRC order requiring the money to be transmitted to the

CLB or in the AAIFR order as it stands modified today by the March 2, 2010 judgment of a Division Bench of this Court or the DRT

proceedings, on the face of the relevant orders, it is equally uncomplicated to appreciate that the issues that arose upon the allegations made in the

company petition before the CLB and the denial thereof could not have been adjudicated upon by any of the other fora in the previously instituted

- and some not concluded - proceedings where the two groups of parties were, among others, either parties or had been heard. The impugned

judgment does not reveal that any effort was expended by the CLB in assessing the applicability of the principles or the maxims. There is only an

omnibus subjective satisfaction recorded that it was the opinion or the perception of the member of the CLB that one or more of the doctrines or

principles referred to in the judgment would be applicable and the plea carried to the CLB by the appellants herein would fail at such high altar.

One would search the impugned judgment in vain to gauge as to which principle would apply for what factual reason and to what degree. The

impugned judgment proceeds on the footing that a brief outline of the disputes between the parties and the reference to a few legal doctrines was

sufficient exercise of the judicial function that the CLB was called upon to perform.

23. There are sentences in paragraphs 28 and 29 of the judgment impugned that betray, unfortunately, a complete ignorance of the member as to

the matters that were being considered, if the other sinister insinuation made by the appellants is to be disregarded. There is a line in paragraph 28

where the member says, ""(t)here is no quarrel as to what the ingredients of res judicata and issue estoppel... are..."" However, the member does not

elaborate on the ingredients of such legal principles.

24. If the NCDRC did not decide the issue as to which group was entitled to the management of the company, if the AAIFR order as it now

stands modified by the appellate order of March 2, 2010 has expressly left the CLB free to decide all matters before it and if the DRT order

refused to go into Godha's allegation that the only meaningful asset of the company had been alienated despite the DRT injunction thereon, it is

baffling that the CLB abdicated an authority vested in it by law in referring to some doctrines without the least indication of any comprehension

thereof and throwing out a matter that it was statutorily obliged to consider.

25. There is a further line in paragraph 28 of the impugned judgment to the effect that ""(t)here are parallel proceedings..." The CLB found that the

two suits filed by the appellants herein in this Court and the matter before the CLB were parallel proceedings. It is true that the expression "parallel

proceedings" is used loosely in legal parlance, but parallel proceedings in the true sense of the expression would imply that the matters directly and

substantially in issue in the two sets of proceedings are identical or so nearly resembling each other as are incapable of any distinction. To

undertake an exercise to ascertain whether two sets of proceedings are parallel or not, the pleadings in the two sets of proceedings are required to

be referred to, the issues that arise in the two sets of proceedings are required to be looked into and, thereafter, a conclusion drawn as to whether

a decision on the one would render meaningless the continuation of the other. There is no attempt at such assessment by the CLB in the impugned

order. In the middle of some other matter and some other context a line surfaces in the impugned judgment with all the profundity that the CLB

could muster that the several proceedings were parallel proceedings. There is nothing before and little else later to justify the conclusion that the

two suits instituted in this Court and the petition before the CLB were parallel proceedings. Assuming that the two suits filed by the appellants in

this Court and the CLB petition were parallel proceedings, it mattered little in the context. No decision - far less any final pronouncement - had

been rendered on the merits or otherwise in the two suits. The principle embodied in Order II Rule 2 of the Code would not apply since the scope

of the several proceedings were dissimilar; yet the CLB found the proceedings to be parallel and non-suited the appellants.

26. There is a further line at the end of paragraph 28 of the impugned judgment that reflects the CLB's understanding of the appellate order of

March 2, 2010. In the writ petition instituted in this Court, the order of AAIFR was stayed and an appeal from the order staying the AAIFR

decision was dismissed. There is no reference in the impugned judgment to paragraphs 18 to 20 of the appellate order of March 2, 2010 that has

been quoted hereinabove. It probably went beyond the CLB that by the express direction contained in a Division Bench order of the Appellate

Court in the relevant company petition, the CLB had been directed to consider CP No. 201 of 2007 unfettered by the observations or the

directions in the order passed in the writ proceedings and unconstrained by the pendency thereof. This appears to have been completely lost on the

CLB.

27. In the opening sentence of paragraph 29 of the impugned judgment, the CLB has found the appellants guilty of ""forum shopping by filing

multiple petitions before different for a based on the same cause of action."" If such unintelligible sentence is accepted at face value and the English

therein is disregarded, it appears that the CLB found that the appellants had approached divers fora by way of several proceedings for the same

cause. The NCRDC proceedings were instituted by the company following the rejection of an insurance claim. The tussle as to the entitlement of

either group to the management of the company was not integral to the matter before the NCDRC nor had such proceedings been instituted by the

appellants herein for the purpose of asserting or establishing their control over the company. The DRT proceedings had not been launched by the

appellants. If the CLB had condescended to see the 1993 Act, it may have dawned on it that proceedings before the Debts Recovery Tribunal can

be instituted only by such banks and financial institutions as are accorded the privilege by the said Act of 1993. The reference to the BIFR was not

made by the appellants for the purpose of trying to wrest control of the company; it is a statutory obligation u/s 15 of the 1985 Act to report and

refer an industrial company to the Board set up by the said Act of 1985 upon the net-worth of such company turning negative or it otherwise

becoming a sick industrial company within the Section 3(1)(o) of the Act. It is true that the two suits were instituted by the appellants herein,

alleging theft of the shares and the wrongful usurpation of control of the company by the Kala group. But the scope of a suit and of similar

allegations carried by way of a petition under Sections 397 and 398 are so utterly different that it is insulting for a High Court to enlist them in an

appeal from an order passed by the CLB u/s 10F of the Act. The extent of the authority of the CLB qua the company which is the subject-matter

of the proceedings under Sections 397 and 398 of the Act is more expansive than the jurisdiction of a civil court in a suit. In proceedings under

Sections 397 and 398 of the Act, the interest of the company is paramount; illegal steps taken in the interest of the company may be condoned and

the exercise of legal rights is subject to equitable considerations. There are judgments legion on such aspect and only two - those reported at

Mohanlal Ganpatram v. Sayaji Jubilee Cotton & Jute Mills Co. Ltd. AIR 1965 Guj 96 and Piyush Kanti Guha v. West Bengal Pharmaceutical &

Phytochemical Development Corpn. Ltd. AIR 1982 Cal 94 - need be mentioned in such context.

28. The several proceedings that the CLB noticed as being parallel to the one that was launched before it were, in fact, of different and varying

imports and certainly not of similar or identical scope as that of the matter pending before the CLB. The orders passed in the proceedings before

the NCDRC, the DRT, the AAIFR or the writ petitions arising out of order passed by the AAIFR did not decide any matter which was or could

have been or ought to have been in issue in CP No. 201 of 2007. Indeed, the relevant orders as referred to above would show how the other

authorities skirted the main issue between the two warring groups, if only in deference to the fact that such issue was pending consideration before

the CLB.

29. At paragraph 30 of the report, the CLB drew from the wealth of reasons reflected in paragraphs 28 and 29 of the judgment to conclude that it

was ""not a case of merely parallel proceedings or prior suits wherein subsequent suits/proceedings can be kept in abeyance... a litigant cannot try

his luck everywhere and all the time. There is suppression of material facts and abuse of process of law... such an abuse has to be put to an end.

The sentiment expressed is most profound, the words are wisely said and there can be no manner of doubt that upon a litigant being found to

indulge in multifariousness and abuse of the judicial or quasi-judicial process, the harshest of consequences should visit such litigant. The question is

whether the judicial or quasi-judicial emotion reflected in the passage of 30 of the judgment matched the facts of the matter that was before the

CLB. A judicial view has to be expressed on a set of facts by referring to the facts and applying the legal principles thereto; a judicial sermon with

no relevance in, or reference to, the facts would be like the six blind men touching an elephant in its different parts to draw their varying conclusions

on the make-up of the animal.

30. It is evident from the impugned judgment that apart from the narration of some basic features of the matter, the CLB was so engrossed with the

allegation that the petitioners had abused its process and had indulged in multifariousness, that it presumed that it was so and restricted the exercise

of its judicial exercise to finding a few legal cliches to hang the appellants therefrom. It does not appear that the image of the case that the CLB saw

bore any resemblance to the matter that the petitioners before it carried to the forum.

31. At paragraph 31 of the impugned judgment, the CLB has proceeded to consider the question of the eligibility of the petitioners u/s 399 of the

Companies Act. In the previous paragraphs the CLB had noticed the submission on behalf of the appellants that the question of the maintainability

of the proceedings u/s 399 had, per force, to be considered only on the basis of the averments in the petition. The opening paragraph of the

impugned judgment records that only the demurrer application had been taken up and not the main petition. In such circumstances, the only

relevant material that ought to have weighed with the CLB in course of the demurrer application was whether the petitioners had asserted in the

petition that they had the requisite qualification u/s 399 of the Act. Of course, if such assertion was demonstrably false on any legal premise, the

CLB was well within its authority to treat it as a point of demurrer. If, however, there was the slightest assessment necessary on facts, the matter

ought to have been postponed for adjudication on merits and was incapable of being considered as part of a plea of demurrer. It does not appear

from paragraph 31 of the impugned judgment that such considerations crossed the mind of the relevant member. It must also be remembered, in

the context, that paragraphs 32 to 34 which appear to deal with the legal aspects of the objection as to the share qualification u/s 399 of the Act,

have been physically lifted from a previous judgment of the same member which had long been set aside in appeal.

32. At paragraph 34 of the impugned judgment, the CLB has expressed a view that it could not keep its eyes shut to the averments made in the

previous suit filed by the petitioners before the CLB. Three paragraphs from the plaint in CS No. 37 of 2004 have been quoted in the judgment

and the conclusion thereafter is that the petitioners before the CLB made ""false, incorrect, incomplete and contradictory statements..... on oath.

33. It may be presumed for the sake of argument that the allegations in the plaint relating to CS No. 37 of 2004 were false. But that would not, by

itself, permit a judicial or a quasi-judicial authority in seisin of any subsequent proceedings to dismiss the subsequent action. In any event, there was

no finding rendered by the Court in CS No. 37 of 2004 as to the veracity of the allegations contained in the plaint relating thereto. Such suit was

unconditionally withdrawn by the petitioners before the CLB subsequent to the petition before the CLB having been filed and in accordance with

the indication in the petition therein that the previous suit would be withdrawn.

34. The matter can be viewed from another perspective. The CLB may have proceeded on the basis that the first allegation made by a litigant on a

particular matter had to be taken as correct. In such event, the allegations contained in the petition before the CLB, to the extent they were at

variance with the contents of the plaint in CS No. 37 of 2004 could be regarded to be false or untrue. But that would not entitle the CLB, despite

its surmise, to dismiss the action before it before allowing the party which had made the false allegations an opportunity to establish the veracity

thereof. The scope of the limited nature of assessment or adjudication that is conducted on a demurrer application appears to have been lost

altogether on the CLB rendering the impugned judgment.

35. It is evident from paragraph 28 of the impugned judgment that the CLB was of the view that the petition before it was hit by the principles of

res judicata, constructive res judicata or issue estoppel and, as such, could not progress. Despite rendering such finding, upon taking up the

question as to whether the petitioners before the CLB had the requisite numerical qualification u/s 399 of the Act, the CLB felt that a composite

claim for rectification of the share register and oppression and mismanagement should not have been made and permitted the appellants to carry

their grievance as to their shares being stolen by the other group by way of a fresh petition for such purpose. If, according to the CLB, the issues

that arose or were likely to arise in the company petition had already been conclusively decided in previous proceedings for the principles of res

judicata or constructive res judicata or issue estoppel to apply, it flies in the face of reason and logic that the CLB would still grant permission or

leave to the petitioners before it to resurrect a matter that had already been previously concluded against them.

36. The impugned judgment betrays a total non-application of mind and worse. The CLB was not aware of the tools that were available to it or the

tools that were necessary for the assessment. Both the method and methodology appear to be awry. It is here that the larger question indicated in

the opening paragraph of this judgment arises. Many eminent lawyers have spent their entire professional careers trying to fathom the width of the

spectrum that is indicated in the "just and equitable" clause that figures in Section 397 of the Act. Proceedings under Sections 397 and 398 of the

Companies Act are an alternative to winding-up and are founded on the principles of justice and equity. The outsourcing of judicial work which has

become the fashion of the day has resulted in several classes of matters that were previously before the Court now being parked with tribunals

manned by bureaucrats or non-judicial members with no legal Training or acumen. What is evident from the impugned judgment is bound to follow

if matters as to justice and equity that many have spent their lives without fully comprehending are left to Tribunals manned by the uninitiated to

pronounce upon; justice then becomes the casualty and inequity the order of the day.

37. The order impugned and the judgment in support thereof are set aside. If the observations here appear to be harsh to the CLB or the

concerned member it is because the facts warrant it. There seems to be an obvious systemic flaw that needs to be addressed immediately.

38. The respondent No. 1 will pay costs assessed at 3000 GM to the appellants. The matter will now be heard by the CLB afresh and it will be

open to the CLB to arrive at the same conclusion as in the impugned order on the objection pertaining to the appellants' share qualification but

with cogent reasons in support thereof. At any rate, the matter should not be taken up by the member who had rendered the judgment and order

impugned in the present proceedings. It is desirable that since the Eastern Region Bench of the CLB is now fully functional and the matter pertains

to the eastern region, that the Company Law Board makes it convenient for the Eastern Region Bench to take up and dispose of CP No. 201 of

2007 as expeditiously as possible in accordance with law. APO No. 370 of 2011 succeeds. ACO No. 74 of 2011 and ACO No. 150 of 2011

stand disposed of.