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**NCLT has jurisdiction to examine allegations of fraud and the validity of documents in oppression and mismanagement cases.**

Case- Mrs. Shailja Krishna v Satori Global Limited

Citations: 2025 INSC 1065 | 2025 SCO.LR 9(2)[8]

Judgement Date: 2 September 2025

Bench: Dipankar Datta J, K.V. Chandran J

**Facts:**

Satori Global Limited (Defendant.), was incorporated by Mr. Ved Krishna (Plaintiff's husband) and Mrs. Shailaja Krishna (Plaintiff), who eventually became dominant shareholder having more than 98% of the total shares of the company. On December 17, 2010, Plaintiff was alleged to resign from the post of Director of Defendant company. On the same day, it was also alleged that Plaintiff had transferred all her shares to her mother-in-law, Mrs. Manjula Jhunjhunwala via Gift deed, out of love and affection. By this time Plaintiff's marriage was already strained, leading to Plaintiff's husband initiating for divorce proceedings. Thereafter, Plaintiff filed police complaint for coercion and forgery, alleging the share transfers were involuntary and was forced to sign on blank share transfer forms, transfer taken place was fraudulent. Also, filed a case before the NCLT for oppression and mismanagement. In response to which the NCLT had reinstated her position and held her as the lawful owner of 39,500 shares. However, on appeal by the company before NCLAT, it had set aside NCLT order on the grounds that it did not have the jurisdiction to adjudicate the matters of fraud, manipulation and coercion. Plaintiff then filed an appeal before the Supreme Court against the order passed by NCLAT, which reinstated the order passed by NCLT.

**Issue**

1. Whether the company petition, decided in favor of the Appellant by the NCLT, was maintainable under Sections 397 and 398 of the 1956 Act?
2. Whether the tribunal had the jurisdiction to decide upon the validity of the gift deed?

**Legal Framework & Cases**

The relevant sections applicable in the present case are Sec. 397, 398 of the Companies Act, 1956 (Sec. 241 & 242 of the Companies Act, 2013) (CA, 1956/ CA, 2013). The case arose under these sections, it allows any member of the company to apply to the Tribunal, if the affairs of the company are carried in way that is oppressive or is prejudicial to public interest, or interest of the company (u/s 398) provided that the member should have right to do so u/s 399, and tribunal shall pass such an order as it deems fit.

These provisions are drafted to broaden the applicability of the act, but the central issue in the present case is that, whether the allegations of fraud and coercion fall within the scope of Sec. 397 & 398? The Supreme Court has addressed this by relying on key precedents.

- *Tata Consultancy Services Ltd. Vs. Cyrus Investments* [2021 SCC Online SC 272]

The primary objective behind Sec. 397 & 398 is to bring an end to oppression or mismanagement in companies and not merely delay justice. The Court referred this case to reinforce that NCLT must provide substantive and effective relief, specifically in cases where parties to the dispute are companies. It should not deviate the case to civil or criminal court.

- *Radharamanan Vs. Chandrasekara Raja* [(2008) 6 SCC 750]

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The NCLT should not refuse jurisdiction when cases are of oppression and management, even though elements of fraud or coercion are included. The Supreme Court cited this case and emphasized that literal interpretation of statutes should not affect the beneficial objective of the statutes. (Beneficial Construction)

- *Pearson Education Inc. Vs. Prentice Hall India [(2007) 136 Comp Cas 294 : (2006) 134 DLT 450]*

The Tribunal's power u/s 397 & 398 are wider in scope it overrides the Articles of Association (AoA) & even has the right to terminate, set aside or modify contractual agreement. The precedent established that the NCLT has sufficient authority to set aside, or modify binding legal instruments such as Share transfer deeds or Gift Deeds.

- *Kamal Kumar Dutta Vs. Ruby General Hospital Ltd [(2006) 7 SCC 641]*

NCLT has original and quasi-judicial authority with powers similar to court. This case validated NCLT's right to adjudicate the dispute, and to examine the authenticity of the gift deed and resignation.

#### Submissions made

- Senior Counsel Mr. Dhruv Mehta- Appellant

The counsel for the appellant contended the judgement passed by NCLAT is legally unsustainable and ought to be set aside. NCLT had jurisdictional authority u/s 397 & 398 of CA, 1956 in the present case and that NCLAT had overstepped. Sec. 399 doesn't bar the Appellant, as she is the member of the Defendant company and that the Gift Deed does not deprive her of her membership.

Further argued that Clause 16 of read with Clause 2(c) of the AoA of the Company allows transfer of shares via gift to specified relatives, excluding mother-in-law. Board Meetings converted were invalid as there was no quorum, since the company only had 2 directors- one being Appellant, who could not attend the meeting as no notice was served. Legality of transfer of shares was also challenged, as the respondents had allegedly tampered with the dates on the shares

Lastly, the company's conversion from private to public limited company & its renaming to Satori Global Ltd were carried through an Extra Ordinary General Meeting (EOGM), again which was held without any notice to the Appellant.

- Senior Counsel Mr. Niranjan Reddy- Respondent

The counsel for the respondent defended the NCLAT's judgement, stating NCLT erred in declaring Gift Deed invalid as matters of fraud, coercion and forgery requires adjudicating through full fledged trial, which NCLT lacks under its jurisdiction u/s 155 of CA, 2013. Further contended that, Appellant lacked locus u/s 397 & 398 and wrongly assumed its jurisdiction beyond the scope and the restoration of the appellant as the Executive Director was also beyond the power of NCLT.

The counsel question the credibility of the claims made by appellant as she waited three months to file an FIR, and that her petition was delayed by two years. Additionally argued that, the matters of fraud and coercion squarely fell within the ambit of civil courts and that the appellant did not satisfy the threshold u/s 399 to file an application.

#### Judgement

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The Supreme Court held that the National Company Law Tribunal (NCLT) has jurisdiction to hear and decide all matters incidental to a complaint alleging oppression and mismanagement. It also has the power to decide the validity of a gift deed.

The Court affirmed that it could not interfere and overrule NCLT's conclusions regarding the share transfer form's manipulation and invalidity. Because it determined that the transfer itself was invalid, it deemed it unnecessary to investigate whether the Registrar of Companies had the authority to prolong the validity of share transfer forms. It was ruled that NCLAT had no right to interfere with NCLT's ruling. It stated: *“We set aside the common appellate judgment and order of the NCLAT on the appeals of the respondents and restore that of the NCLT. These civil appeals are, accordingly, allowed. Parties shall, however, bear their own costs.”*

### Conclusion

The judgement made by the Supreme Court emphasized that such issue cannot be separated from the boarder conduct of parties and that determining the validity of document can be central to deciding whether oppression had occurred. It aids in extending the jurisdictional scope of NCLT in matters of oppression and mismanagement, reducing the burden over civil courts. The approach used by the Hon'ble may be suitable in cases like the present where restoring appellant's position resolved the issue, it may not be suitable in cases where shareholding is balanced, as reinstatement of positions would worsen the dispute. Lastly, this strengthened the scope of NCLT making it one-stop forum for resolving similar issues.

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