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Supreme Court of India upholds National Company Law Tribunal's authority to decide on allegations of fraud and coercion in oppression and mismanagement petitions

The Hon'ble Supreme Court of India ("**Supreme Court**") in the case of *Mrs. Shailja Krishna vs. Satori Global Limited and Ors.*¹ reaffirmed the jurisdiction of the Hon'ble National Company Law Tribunal ("**NCLT**") to adjudicate complex issues of fraud, manipulation and coercion in allegations of oppression and mismanagement filed under Sections 397 and 398 of the Companies Act, 1956 ("**CA 1956**"). This judgment of the Supreme Court clarifies the powers of the NCLT to address the validity of controversial instruments/documents pivotal to the claim of oppression and mismanagement, including gift deeds and share transfers alleged to be vitiated by fraud.

Brief facts

Satori Global Limited ("**Company**"), which was originally incorporated as Sargam Exim Private Limited was incorporated in 2016 by Mrs. Shailja Krishna ("**Appellant**") and her husband, Mr. Ved Krishna. Since its incorporation, the Company's shareholding structure became highly concentrated, as the Appellant gradually increased her holding to approximately 98% of the total paid-up share capital. The Appellant also served as an executive director.

The Appellant and her husband separated in 2009-2010, leading to certain differences and the alleged transfer of the Appellant's controlling shareholding to her mother-in-law through a gift deed dated December 17, 2010. The Appellant contended that the execution of the gift deed was under coercion and duress, and she was not physically present during the execution. The Appellant also asserted that her effective removal from the Company's management was due to fraudulent board meetings and improper share transfers. These actions were supported by manipulated documents and violated several provisions of the Articles of Association ("**AoA**") of the Company.

The NCLT being satisfied by the documentary evidence and credibility of her allegations, ruled in favour of the Appellant. The NCLT invalidated the impugned board resolutions and the contested share transfers and found the purported gift deed vitiated by fraud and contrary to the Company's AoA. Consequentially, the Appellant was reinstated as both director and majority shareholder.

However, this was then overturned by the Hon'ble National Company Law Appellate Tribunal ("**NCLAT**") *vide* its order dated June 2, 2023. ("**Impugned Order**"). The Hon'ble NCLAT set aside the order of the NCLT and stated that the NCLT lacked jurisdiction to adjudicate upon issues of fraud. The NCLAT directed the Appellant to seek her remedy before a civil court under Sections 31 and 34 of the Specific Relief Act, 1963. Being aggrieved by the Impugned Order, the Appellant approached the Supreme Court.

¹ Civil Appeal Nos.6377-6378 of 2023 (decided on September 2, 2025)

Issues

1. Whether the company petition, decided in favour of the Appellant by the NCLT was maintainable under Sections 397 and 398 of CA 1956?
2. Assuming maintainability, whether the NCLT had jurisdiction to decide on the validity of the gift deed?

Analysis and findings

The Supreme Court held that the company petition filed under Sections 397 and 398 of the CA 1956 was maintainable, particularly in light of Section 399 of the CA 1956, which sets out certain eligibility thresholds for members to file complaints alleging oppression and mismanagement. The Supreme Court noted that the NCLT found the Appellant's petition to be maintainable in view of the circumstances under which the Appellant was allegedly divested of her shareholding. The Supreme Court also held that, having examined the pleadings, materials and evidence relating to membership and shareholding, the petition before the NCLT was rightly entertained, especially since fraud and coercion allegations would negate any purported divestment of rights.

On the question of jurisdiction, the Supreme Court affirmed that the NCLT possesses wide powers to adjudicate upon complaints of oppression and mismanagement, including the power to examine the validity of central instruments such as a gift deed tainted by fraud or coercion.

The Supreme Court held that the NCLT had powers to scrutinise both, the gift deed and the board meetings purportedly effectuating the Appellant's removal. The analysis showed that the transfer of shares *vide* the gift deed was questionable as it violated the express provisions of the AoA by gifting shares to a class of person not permitted (the mother-in-law) and also had signs of manipulation.

The Supreme Court also noted that the evidence pointed to the Appellant being the victim of a series of co-ordinated acts amounting to oppression and mismanagement. The board meetings removing her from management, the invalid gift deed and manipulation of share transfer forms and the exclusion from company affairs constituted a breach of probity and fairness. The impact of these acts demonstrated a lack of transparency and due process, revoking her rights and majority status in a manner that the Supreme Court deemed wrongful. Accordingly, the Supreme Court set aside the Impugned Order of the NCLAT, restored the NCLT's order and reaffirmed the jurisdiction of the NCLT to hold wide authority.

Conclusion

The Supreme Court has reaffirmed that the NCLT has wide jurisdiction to adjudicate all matters of oppression and mismanagement, including those involving allegations of fraud and coercion. The Supreme Court reiterated that fraud vitiates all transactions and therefore any instrument or action, such as share transfers or board resolutions, tainted by fraud, manipulation, or *mala fide* can be declared void by the NCLT.

The NCLT acts as a court of equity and focuses on remedying corporate wrongs rather than being limited by procedural technicalities or constraints cast by a civil court.

The NCLT's remedial powers ensure shareholder protection and prevents abuse of power by those in control of the affairs of the company. The NCLT is empowered to set aside and correct any company actions that are unfair and wrongful or contrary to the AoA or law, whenever such acts affect the rights of members.

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