

MANU/CL/0010/2016

**BEFORE THE COMPANY LAW BOARD
NEW DELHI BENCH, NEW DELHI**

CA 128/C-II/2014 in CP 64(ND) 2014

Decided On: 23.02.2016

Appellants: **Sidharth Gupta and Ors.**
Vs.

Respondent: **Getit Infoservices Private Limited and Ors.**

Hon'ble Judges/Coram:

B.S.V. Prakash Kumar, Member (J)

Counsels:

For Appellant/Petitioner/Plaintiff: Rajeev Virmani, Senior Advocate, Ananya Kumar and Pragya Chauhan, Advocates

For Respondents/Defendant: Arun Kathpalia, Samaksh Goyal and Samaksh Goyal, Advocates

ORDER

B.S.V. Prakash Kumar, Member (J)

1. R1 filed this CA u/s. 45 of Arbitration & Conciliation Act, 1996 for referring the dispute raised in the Company Petition to Arbitration in terms of clause 23 of the Subscription and Shareholding Agreement (SSHA) dated 28.08.2010 as well as subsequent amendments to the same dated 4.7.2011, 28.09.2011 and the Memorandum of Agreement dated 18.05.2012 seeking dismissal of this CP as not maintainable for want of jurisdiction and refer the disputes to Arbitration in accordance with the Rules of Singapore International Arbitration Centre in pursuance of the Arbitration Clause as mentioned above.

2. Before going into this Application. I must say what the Company Petition is. The petitioners 1 to 5 entered into a Shareholders' Agreement (SSHA) with R2, allowing R2 to purchase 50.1% shareholding of the company for consideration of ' 95,99,37,230 (subscription considerable amount) by paying it in seven tranches in accordance with SSHA. The terms of this agreement were made part of Article of Association. Again on 18.05.2012, the shareholding of the respondents was increased from 50.1% to 76% on execution of Memorandum of Agreement dated 18.05.2012. On 30.09.2013. R2 again brought in an amount of ' 187.6 crores as share application money, to clear the loan liability of the company and to cater the working capital requirement as per business plan. Since this money had come into the company as share application money, R1 Company, first increased the authorised capital from ' 125 crores to ' 300 crores, in furtherance of it. rights issue was given for allotment of ' 4,63,72,645 equity shares with a rate of ' 53.22 (issue price) per share on pro rata basis. Before giving this rights issue notice, the share price was set out on valuation report given by M/s. Sanjeev Sapra & Associates. Total investment by R2 in R1 company till this petition was filed is ' 680 crores as against ' 4.84 crores investment by the entire promoters group.

3. The grievance of this petitioner in this Company Petition is that the respondents dealt with the affairs of the company prejudicial to the interest of the petitioners' group by not disclosing to their nominee director with respect to the money brought in by R2, in valuing the shares of the company without a proper valuation and accepting such unfair and improper valuation as the basis for rights issue as to use the money unauthorisedly brought in by R2 to allot a substantial higher number of shares to it at such undervalued price by unfairly diluting the petitioners' shareholding in the company. To perpetrate fraud upon the petitioners, the management in R1 held an EOGM on a short notice for increase of authorised share capital though at least 21 days notice is required to hold EOGM in the company. The company also violated Article 77.5.2 by calling Board Meeting dated 13.03.2014 on short notice as against the mandate of 14 days notice. In the Board Meeting dated 13.03.2014, the valuation report given by M/s. Sanjeev Sapra was unquestionably accepted by the members of Board on 13.03.2014, on the same day a resolution was passed approving the rights issue contrary to Article 77.5.3, the petitioners further say that they later came to know that shares were allotted to R2 on 20.05.2014 pursuant to the rights issue dated 13.03.2014. The petitioners submit that there was no board approval for future funding, the report of M/s. Sanjeev Sapra was not authorised by the board to conduct such valuation, and he was not an investment banker to determine fair market value of the company in as much as that it did not satisfy the qualification criteria set out in Article 49.1.103 r/w Article 54.3.4 of AOA and M/s. Sanjeev Sapra did not follow the parameters/methodology set out in Article 95.2 r/w Article 49.1.79 of the AOA, The petitioners submit that when they got this company valued by American Appraisal India Pvt. Ltd. as on 26th December, 2014 share value as on 31.01.2014 has come around ' 230 which is far higher than the value of ' 53.22 assessed by M/s. Sanjeev Sapra, By this, the shareholding of the petitioners has fallen below 5% resulting in P1 to P3 are unfairly deprived of their stake in the company and their position in the Board of Directors.

4. On seeing the petitioners filed this CP, R1 filed this CA paying that despite there being a dispute resolution mechanism provided for under Clause 23 of SSHA mandating to resolve disputes arising out of SSHA through negotiations, failing which, to resolve through arbitration at Singapore International Arbitration Centre (in short "SIAC"), and despite this arbitration clause was reiterated in the amendments dated 4.7.2011 & 28.9.2011 to the SSHA as well as in the Memorandum of Agreement dated 18.5.2012, the petitioners have approached this Bench by filing this CP under sections 397/398, 399, 402 & 403 of the Companies Act, 1956.

5. In definition part of SSHA, dispute is defined as "any and all claims, causes of actions, disputes or proceedings arising out of or in connection with this agreement, it is also said that R1 Company, the promoters group i.e., petitioners. R2 and its nominee directors are parties to SSHA covered with Arbitration Clause, it can't be therefore said that R1 Company is not a party to Arbitration Clause 23. In the definition 'party' in SSHA, R1 Company is also referred as a party. It is further said in clause 11 of SSHA that "in the event of any of the provisions of the SSHA and Memorandum and Article of Association, the parties agree that the provisions of SSHA shall prevail". In clause 11.3 of SSHA, R1 has undertaken that SSHA is binding and R1 shall not aid or abet any violation of SSHA. That this amendment was carried out in clause 50 of Article of Association of R1. In the event of failure of resolution, for there being a mechanism under arbitration clause to proceed before SIAC for arbitration, any shareholder in dispute may commence the arbitral process through SIAC under the Arbitration Rules of SIAC.

6. For having the petitioners filed this CP on the premise that R1 company issued shares in violation of the terms and conditions of the shareholders agreement (SSHA) in as much as the Article of Association these issues are opened to be raised before Arbitral Tribunal as envisaged under Section 45 of the Arbitration and Conciliation Act, 1996. The terms and conditions of Shareholders Agreement have been incorporated in the Article of Association adding that in the event of any conflict between any of the provisions of SSHA and Memorandum of Article of Association, SSHA shall prevail over Articles of Association. In view of the same, R1 company prays this Bench for having the petitioners raised contractual disputes before Company Law Board u/s. 397/398, this CP shall be dismissed as not maintainable for want of jurisdiction and direct the disputes to be referred to Arbitration in accordance with Rules of SIAC.

7. The petitioners filed reply to the application stating that this application is not maintainable and the parties to the present petition cannot be referred to arbitration for the reasons stated below;

8. This SSHA has been executed between the petitioners and R1 to R3 only. Respondents 4 to 8 and Performs respondents 9 to 13 are admittedly not parties to SSHA. For all the respondents in this CP not being parties to SSHA, the arbitration clause in that agreement is not binding upon Respondents 4 to 13; hence this case cannot be referred to arbitration. Though Arbitration Clause is covered in the SSHA, for the company not being referred in the dispute resolution procedure contemplated in clause 23.5.1, the Arbitration Clause shall be limited to the shareholders of the company but not to the company. The petitioners submit that Article of Association does not contain the Arbitration Clause, since the arbitration clause in the agreement, not being part of the AoA, it shall not be binding upon the company. Though as many clauses as present in the SSHA are brought into the AOA. Arbitration Clause is not consciously mentioned or incorporated in the Articles of Association, for this Arbitration Clause is out of the ambit of AOA, the disputes emanating out of violation of Articles cannot be referred on the premise arbitration clause is present in the SSHA. It is further stated that clause 23.5.2 of SSHA makes it clear that the disputes in between R2 (investor) and the promoters (petitioners) would be capable of reference to arbitration. If the disputes are solely between R1 Company and the shareholders or inter se between the persons referred as promoters, they would not fall within the ambit of arbitration clause, this arbitration clause is applicable only when the dispute arose between R2 on one hand and the petitioners on the other hand. The petitioners submit that the relief's sought in the petition are of such nature that they cannot be granted by an Arbitral Tribunal in such cases it shall not be referred to arbitration. The petitioners have inter alia sought relief's in relation to allotment of shares of the company, composition of the Board of Directors of the company, regulation of the affairs of the company. Since these relief's can only be granted u/s. 402 & 403 alone, such relief's cannot be referred to the Arbitral Tribunal. As to regulation of the affairs of the company, if any dispute arose, it has to be dealt with under sections 397/398 for those rights are statutory rights given to the shareholders such as proper notice of rights issue of shares, violation of Articles of the company, allotment of shares detrimental to the interest of the members of the company. In view of the same, the petitioners pray this Bench to dismiss this CA.

9. On hearing the submissions of either side counsel, the point for consideration is

"Whether the subject matter in this CP falls within the ambit of jurisdiction u/s. 397, 398 r/w 402 & 403 or within the ambit of arbitration clause

constituted in the SSHA arrived at between the parties."

10. The undisputed facts of the case are that the petitioners are promoters and R2 is an investor joined into the company through a shareholders' agreement (SSHA) dated 28.08.2010 by investing around ' 100 crores. The understanding in between these two groups to work jointly is the shareholders agreement entered between them. The understanding in between the petitioners and R1 -3 did not remain there, they have further entered into amendments on 04.07.2011, 28.9.2011 and Memorandum of Agreement on 18.5.2012, and it was incorporated in Clause 50 of Articles of Association saying in the event of conflict in between the clauses of SSHA and Articles of Association, the clauses of SSHA shall prevail over AoA. If we see the series of agreements entered between the petitioners and respondents 1-3, it is clear that the functioning of the company has gone into the fold of terms and conditions agreed between the parties, rather by the articles of association. Whenever any third party comes into the company with huge investment crossing 50% stake in the company, they usually take the management into their hands, so is the case here. Initially it is an agreement that R2 could invest up to a cap of 95%, in the process of it, this investor pumped in huge funds. 100 times to the fund initially put in by the petitioners. It is also not the case of the petitioners that this company is running on the expertise of the petitioners. It is also not in dispute that the company has been in need of funds ever since the investor joined in this company. It is also not the case of the petitioners that the company does not require any money. It is a fact that R2 entered into the company by investing huge money with an understanding that R2 would get more than 50% shareholding and management of the company. According to this agreement, R2 initially acquired 50.45 shareholding and management in the company with its nominee directors. In the second phase when funds were required. R2 again put in money, by which his shareholding went up to more than 75%. As necessity for the funds rising from time to time, R2 has kept on investing money in the company, in the process of it, R2 invested ' 189 crores as share application money in the month of September, 2013 to meet the loan liability and working capital requirements. It is not the case of the petitioners that allotments made to Respondent No. 2 were made without funds coming from R2. It is also not the case of the petitioners that the money brought in by R2 was not utilised for the requirements of the company. These petitioners who have filed this CP only invested ' 4.84 crores as against ' 680 crores invested by R2. The petitioners have not stated that authorised capital was increased or allotment was made without issuing notice to the petitioners. Their only case is that EOGM and Hoard Meetings were held with short notice and valuation made by M/s. Sanjeev Sapra is not proportionate to the real value of the company and not reflecting fair market value moreover. M/s. Sanjeev Sapra is not a competent person to value the shares of the company because he is not a qualified valuer with qualification criteria set out in Article 49.1.103.

11. The contention of the petitioners is, when violation of statutory rights is found, such dispute will then fall within the jurisdiction of CLB u/s. 397 & 398, not before arbitral tribunal. It is pertinent to say that it is settled proposition of law that mere violation of law or any terms in between the parties will not automatically fall within the ambit of jurisdiction under section 397, 398. It has to be shown that the conduct of the persons in the manage is either prejudicial to the interest of the company or interest of the members of the company. Unless the conduct of the management amounts to oppression or mismanagement, the jurisdiction under section 397/398 cannot be invoked. Here in the present case, if the allegations of the petitioners, such as holding meetings on short notice, valuation of the company is not on fair market

value and not in accordance with provisions of law, are closely looked into. I don't believe any of the actions of the respondents fall within the jurisdiction of 397/398, if any pleading is there saying the conduct of the Respondent amounts to oppression or mismanagement, it is a statement dressed up to could it as a petition u/s. 394 & 398.

12. As to holding meetings on short notice, it is not said any here how holding meetings on short notice has become oppression against the petitioners or mismanagement of the company. As I already said that mere violation of Articles of Association or provision of law cannot become oppression unless laced with malfeasance. It is known to the petitioners that company had a need of funds, for that. R2 already invested ' 189 crores as share application money towards loan liability and working capital; having put in huge money, it is legitimate expectation of R2 to get allotment to the money invested by R2. May be, meetings were held on short notice hut not without any notice. Yes, it could be understood that the action of R2 was oppressive, had R2 failed to make an offer of rights issue to the petitioners on pro rata basis. R2 indeed made an offer of rights issue to the petitioners, and even offered to allot shares to the petitioners on loan basis provided the petitioner accept the other to pay the consideration along with interest. Rut the petitioners, instead of accepting such a generous offer come from R2, the petitioners ignored the same, started evincing other ways to stall the functioning of the company by pointing out some technical short falls in conducting the affairs of the company. Though meeting was held on short notice, but rights issue was left open for acceptance of the shareholders for a period of 30 days, Therefore, it cannot be said that R2 tried to appropriate the entire allotment to itself ignoring the entitlement of the petitioners. It is not for the first time the petitioners failed to accept the offer of rights issue, in past also when the petitioners failed to put the funds to meet the necessity of the company, R2 alone invested money by allotment. That allotment was made on the valuation report given by the same Mr. Sanjeev Sapra, now when the same M/s. Sanjeev Sapra gave valuation report; the petitioners have taken it as grievance to file this CP. When the petitioners raised that Ms. Sanjeev Sapra valuation report is not in compliance with the Articles of Association, R1 Company has taken another valuation from Deloitte, which is one of the renowned values in the world. The valuation per share given by M/s. Sanjeev Sapra is around ' 52, whereas the valuation report given by Deloitte is within the range of ' 42 to ' 54 per shares. So, the valuation given by Sapra can't be said weird or undervalued in the light of the valuation given by Deloitte.

13. On seeing the conduct of the petitioners ever since R2 has come into the company, it is evident that they have never made any attempt to invest any money in the company except the money had already invested before R2 has come in. To make an attempt that the valuation given by M/s. Sanjeev Sapra is incorrect the petitioners procured another valuation report purported to have been given by one American Appraisal India Pvt. Ltd. to show that the value of each share at ' 230 as on 31st March 2014. If at all R2 made an effort solely to dilute the shareholding of the petitioners, R2 would have not offered shares to the petitioners but that has not been done, for there being no allegation that petitioners are kept in dark over the affairs of the company, the allegations of violation of Articles of Association such as holding meetings with short notice, valuation of shares not in compliance with Articles of Association, even if assumed as correct, they are not good enough to invoke jurisdiction u/s. 397/398.

14. Now the point for discussion is whether the subject matter in the CP falls within

the arbitration clause and whether the company is governed by arbitration clause or not for having this Bench already held that the valuation per share given by M/s. Sanjeev Sapra will not amount, to oppression under section 397, the only point left for consideration is whether invoking arbitration clause amounts to violation of Articles of Association.

15. Before taking this point since there is an arbitration clause in shareholders' agreement it has to be seen whether that arbitration clause could be invoked or not. It is not in dispute that R1 Company is a party to SSHA and to subsequent amendments to SSHA. All these purported violations raised by the petitioners are covered under SSHA and the Articles of Association. In the definition clause 'party' in the SSHA. R1 company is also defined as a party to the proceedings. Arbitration clause in the SSHA says that if any dispute a between the parties dealing with the terms and conditions of SSHA, the same will have to be resolved either by appointment of representative on either side or by referring the matter to arbitral tribunal situated at Singapore. It's a contract in between the parties of SSHA saying how many days notice is to be given for holding board meeting and holding shareholders meeting.

16. As to the contention of the petitioners saying that the parties in CP not being parties to SSHA inbuilt with arbitration clause, that clause of arbitration governing the covenants of the SSHA will not be binding on non-parties to the SSHA, for R4-8 and R9-13 being parties to the CP and being non-parties to the SSHA, the arbitration clause is not binding on R4-8 & R9-13, hence the subject matter cannot be referred to Arbitration as laid in section 8 of Arbitration and Conciliation Act, 1496.

17. The only persons, not parties to the Arbitration clause are R4-8 and Performa R9-13, R4 to R8 are nominee directors on behalf of R2, therefore, R2 being a party to the proceedings, it makes no difference whether R4 to R8 are or are not parties to the agreement. They are in fact the persons representing the cause and interest of R2, R4 to R8 not being parties to the agreement will have no bearing in invoking arbitration clause, they being shown as Performa respondents, they are not even necessary and proper parties for adjudication of this CP itself, then how does it make sense to say that they not heir, parties to the SSHA, it can't be referred to arbitration. Moreover, reference under section 45 of 1996 Act is neither governed by CPC nor is governed by pan 1 of 1996 Act. Therefore, this Bench has not found any merit in the contention of the petitioners.

18. On the petition being culled, it appears that the grievances of the petitioners is that notice issued for holding board meeting is improper and in violation of Articles 77.5.2 which is equivalent to clause 13.1.6.2 of the SSHA, that failure to mention the business of board meeting in the agenda (rights issue) is in violation of Article 77.5.3 which is equivalent to clause 13.16.3, that failure to circulate the minutes of meeting as soon as practicable is in violation of Article 77.5.6 equivalent to clause 13.1.6.6, that failure to give proper notice of EOGM to all the shareholders is in violation of Article 78.3 equivalent into clause 13.2.2 of the SSHA, that failure to follow methodology required for determining the manner of future funding is in violation of Articles 95.1/95.2 equivalent to clauses 16.2.1 and 16.2.2 and that failure to carry out valuation in terms of the methodology provided is in violation of Articles 95, 49.1.45, 49.1.79, 49.1.82 and 49.1.103 equivalent into clauses 16.2, 1.1.57. 1.1.103. 1.1.108 and 1.1.137 of the SSHA. So by seeing the equivalence in between the Articles of Association and the terms of SSHA, which are purported to have been violated by the respondents, the purported violations are evolved from the SSHA and

percolated into Articles of Association. The grievance of the petitioners are qua against the terms of SSHA arrived at between the petitioners and R1-3 Though, the petitioners have alleged that there are many violations in holding meetings and making allotment to R2, they have not stated that those violations led to oppression against the petitioners except saying that for the shares being undervalued, more shares were allotted to R2 causing reduction in the petitioners shareholding. In a bid to testify the same, the petitions poured a valuation report from a company called American Appraisal India Pvt. Ltd. showing indicative value of ' 230 per share which is nowhere close to the valuation given either by M/s. Sanjeev Sapra or by Deloitte. The argument of the petitioners is that the company is undervalued, specially when comparative companies such as Just Dial and Quirk were being valued at ' 12,500 crores and ' 1,500 crore, It can't be said that every company doing similar business will have the valuation equivalent or close to every other company of same the kind, it all depends upon many factors. Here, the valuation given by M/s. Sanjeev Sapra is in confirmation with the valuation subsequently given by Deloitte, an independent valuer, world known company. The subject matter in the CP is governed by Arbitration Clause, therefore, it appears to me that it's a company petition dressed up to hold it out as case under 397/398 of the Companies Act 1956. Merely by seeing Valuation Report, if the company is put to stall and clip the wings of the company by restraint orders, especially to a business like this where one day slow down makes a big difference, it will certainly create a disaster to the company. If the momentum in the company is interfered, who will suffer? It is R2, who almost invested 600 crores, suffers and the company, certainly not the petitioners who invested not more than 5 crores. There is no mandate that once a case u/s. 397/398 is filed, it has to remain pending until pleadings are complete and main hearing is over, it is quite usual that the party who is doubtful of his/its case, will keep filing one or other application on one or other allegation until the other side comes to its knees for settlement with petitioner. If parties are made waiting for no reason, it is undoubtedly parody of justice, more especially when arbitral authority is competent to look into the same allegations and pass award. When a party seeks reference to arbitration, obligation is cast upon the court to see whether any prima facie case made under 397/398, if not, then it shall forthwith refer the same to arbitration, for invoking jurisdiction under sections 397 & 398, the petitioners shall show that the conduct of the parties is oppressive towards the petitioners or the company, reflecting mismanagement of the company, Here for having this Bench noticed that no malice is found in the conduct of the respondents, the allegations of the petitioners being governed by Arbitration clause, this Bench hereby holds that it is a fit case to refer to Arbitration.

19. The petitioners counsel relied upon Sumitomo Corporation v. CDC Fanatical Services (Mauritius) Ltd. & Ors., MANU/SC/1101/2008 : (2008) 4 SCC 91 to say that when the jurisdiction under 397/398 is invoked relating to affairs of the company that are not covered by arbitration agreement, application u/s. 45 of the Arbitration and Conciliation Act, 1996 is not maintainable.

20. On reading of this judgment, it appears that the main point considered in the case (Supra) is as to whether the order dated 26.09.2006 of CLP u/s. 45 of the Arbitration and Conciliation Act 1996 was liable to be challenged before Appellate forum u/s. 50 of Arbitration Act or u/s. 10(1) (a) of the Companies Act. In the Arbitration clause of the case (Supra), JVA Arbitration has been provided only to the disputes between the companies (SML/PTL on one hand and MAZDA/SC on the other), There is no provision for arbitration in relation to the disputes between the company and the contesting respondents. In the case supra, therefore. Honourable

Supreme Court held that dispute being not in between SML/PTL and MAZDA/SC arbitration clause could not govern the dispute in between the company and contesting respondents.

21. But here in this case, any dispute that arose in terms of the SSHA, the parties agreed in between them to go for arbitration, for there being contractual agreement in between the parties about dispute resolution mechanism, they must opt for resolution they agreed for, not otherwise. I don't say that 397/398 jurisdiction cannot be invoked even when oppression is writ at large on the face of it in the cases governed by arbitration. The only difference is when the acts alleged are being laced with malfeasance or malice solely to cause oppression; the subject matter will be governed by 397/398, if the allegation is qua against violations of the provisions de hors any malice, arbitration clause triggers into action.

22. Petitioners Counsel relied upon In Re: Kare P. Ltd. (Surendra Kumar Dhawan v. & Vir) MANU/DE/0282/1974; Rakesh Malhotra v. Rajinder Kumar Malhotra MANU/MH/1309/2014; Sudarshan Chopra v. Company-Law Board MANU/PH/0021/2004 : (2004)137 PLR 12, to say that the grievance of the petitioner is for violation of statutory rights, which is incapable of being referred to Arbitration. To which, I have already held that, even if the case of the petitioners is assumed as correct, it will become violation of contractual rights, not any statutory right, therefore, the ratio decided in the above cases is not applicable to this case.

23. Petitioners Counsel relied upon OP Gupta v. Sfflv General Finance P. Ltd. MANU/DE/0093/1975 : (1975)ILR 2 Delhi 911; Rajendra Kumar Tekriwal v. Unique Construction Pvt. Ltd., MANU/CL/0052/2007 : (2009)147 Comp Cas 737(CLB) to say that arbitrator cannot grant relief's that CLB can grant under sections 402/403 terming the allotment as wrongful allotment, but I don't believe this ratio is applicable in this case, because Arbitral Tribunal has jurisdiction to make an observation over valuation report given by the valuer, if it finds such valuation is wrong, then it can invalidate it, therefore there is no such relief in the subject matter that can't be decided by Arbitral Tribunal.

24. Petitioners Counsel relied upon Rajendra Kumar Tekriwal vs. Unique Construction Pvt. Ltd. MANU/CL/0052/2007 : (2009) 147 Comp Cas 737(CLB); Griesheim GmbH v Goyal MG Gases Pvt. Ltd. & Ors, MANU/CL/0041/2004 : (2005)123 Comp Cas 28(CLB) and Gautam Kapur v. Limrose Engineering MANU/CL/0123/2004 : (2007) 137 Comp Cas 513 (CLB); Sporting Pastime India Ltd. v Kasturi & Sons. MANU/CL/0080/2005 : (2007) 141 Comp Cas III (Mad) to say that articles alone govern the relationship between parties, breach of any of articles amount to oppression and mismanagement, here it is pertinent to note that these articles which the petitioners saying flouted are nothing but replication of the clauses of SSHA and amendments thereof. Moreover there is an article saving that the clauses of SSHA will prevail over the articles in case of any inconsistency in between them. One should not get lost sight of one fact that these Respondents have come into the company believing that the petitioners would abide by every covenant agreed between the petitioners and R1-3, with that belief only. R2 invested huge money. R1 Company had never seen such money when it was solely with the petitioners. This is like a partnership arrangement, now after having the Respondents infused huge money believing the petitioners would abide by the agreement, now these petitioners could not back out from the covenant between them. On the top of it all purported violations are basing on the clauses of SSHA which have been carried into the Articles- Two points are clear, one company is a party to the agreements, two none

of the clauses of the SSHA are not inconsistent with the Articles- Therefore, merely because the clauses of SSHA being carried into articles, it can't be said that SSHA has lost its relevance and that the rights and obligations created between the parties in the SSHA will become statutory rights for having shown them in the Articles. In Sumitomo, for arbitration clause has limited it to a dispute in between SML/PTL and MAZDA/SC, that clause cannot be equated to this arbitration clause in the SSHA, because it is explicitly said am dispute in between the parties (company is also part), not limiting in between two parties as in the case of Sumitomo, hence the ratio decided in the cases supra not applicable to this case.

25. Petitioners counsel relied upon World Phone India Pvt. Ltd. v. WPI Group Inc MANU/DE/0686/2013 : (2013)178 Comp Cas 173(Delhi) to say that a provision which is not in the Articles of Association of a company, even if contained in a separate agreement, it is not binding or enforceable upon me company. The counsel has perhaps not been aware of the fact that this appellate judgment went to Apex Court, where it was directed this Bench to dispose of the case without being influenced by the judgment supra.

26. The counsel for R2 & R1 & 3 relied upon Mr. Vikram Bakshi v. M/s. Connaught Plaza Restaurants Pvt. Ltd. & Ors. LP No. 110(ND)2013 dated 39.11.2013; Telenor Asia (P) Ltd. v. Unitech Wireless (Tamil Nadu) (P) Ltd. & Ors. MANU/CL/0003/2012 : (2012) CLA 547 (CLB); SM Ganapatram v. Sayaji Jubilee Cotton and Jute Milk Co., AIR 1963 Guj 96, at page 103; Needle Industries Newey (India) Holding Ltd., MANU/SC/0050/1981 : (1981) 3 SCC 333 to say that the statutory right under section 397 would arise if the issues raised are not in the contractual disputes but serious acts of oppression or mismanagement, that] already said so in the above, therefore, for sake of brevity. I have not reiterated it here.

27. The counsel for R2 & R1 & 3 relied upon Citibank N.A. v. TLC Marketing PLC & Anr. (MANU/SC/3879/2007 : 2008 SC 118) to say that when a commercial document is interpreted, it must be interpreted in such manner to give efficacy to the contract rather than to invalidate it, narrow technical approach is nut proper. I agree with this proposition.

28. In view of the reasons above mentioned, for this Bench having opined that there is no oppression to invoke jurisdiction u/s. 397/398, and this Bench being of the opinion that if at all the petitioners are aggrieved of breach or violation of the terms of the agreement, the petitioners have go before arbitration.

29. Therefore, this Bench hereby dismissed this CP by referring this matter to arbitration.

30. Interim order, if any, stands vacated.

31. Accordingly, CA 128/2014 is allowed.

© Manupatra Information Solutions Pvt. Ltd.