CA Final – Paper 4 (Law) – Integrated Case Studies

Part IV – Prevention of Oppression and Mismanagement (Chapter 6)

Compiled by: CA. Pankaj Garg

(Covering ICAI SM, MTPs & RTPs till May 2023 applicable for May/Nov. 2023 Exams)

Integrated Case Study - 1

Three close friends, Mr. Singh, Mr. Khurana and Mr. Dhillon, all residents of Delhi, wanted to start their own venture and accordingly in the year 2014, after leaving their respective concerns, incorporated a company by the name New Age Automobiles Private Limited. Prior to this venture, Mr. Singh worked in National Commercial Bank Limited as Chief Manager and had gained rich experience of over twenty-two years dealing with different tough situations and also with seasoned businessmen as well as customers coming from all walks of life. In the year 2014, he took voluntary retirement under the 'Voluntary Retirement Scheme' announced by National Commercial Bank Limited which was applicable to the officers who had to their credit twenty years of service or more as on 31st December, 2013. Mr. Khurana is an experienced finance professional [MBA (Finance) from Faculty of Management Studies, University of Delhi] and in the last fifteen years he has served a number of finance companies gaining extensive knowledge of finance. Mr. Dhillon, an engineer, worked in a reputed auto company for the last fourteen years.

After two years of the formation of New Age Automobiles Private Limited, Mr. Rawat, one of the esteemed customers of National Commercial Bank Limited, who had an 'Overdraft Account' in the branch in which Mr. Singh worked as Chief Manager, wanted to have some stake in the company. Accordingly, he purchased 6% equity shares of New Age Automobiles Private Limited. After transferring 6% equity shares to Mr. Rawat, the original promoters held remaining 94% of equity shares.

Thereafter, in the year 2019, Jagat Electricals Limited having its Registered Office at Rajendra Place, New Delhi and having reputable presence pan-India for manufacturing quality products, acquired 60% stake in New Age Automobiles Private Limited by way of shareholders' agreement. As per the agreement, the remaining 34% shares were to be held by Mr. Khurana, Mr. Singh, and Mr. Dhillon in the ratio in which they were held by them when the company was incorporated in 2014 and other 6% by Mr. Rawat. Mr. Rawat was a diabetic patient for the last seven years or so which had an adverse impact on both of his kidneys. As his kidney problem became serious by and by leading to dialysis on weekly basis, his nephrologist advised him for kidney transplant. In order to get kidney transplant done at a specialised hospital,

Mr. Rawat decided to go to Seattle, USA, where his son Saaransh Rawat, holder of Green Card, was serving a Multi-National Company (MNC) at a senior position. Before going to Seattle, Mr. Rawat sold his 6% stake in New Age Automobiles Private Limited to Jagat Electricals Limited which increased the aggregate shareholding of Jagat Electricals Limited to 66%.

Over a period of time, Jagat Electricals Limited gradually started increasing its stake in New Age Automobiles Private Limited and ultimately it reached to a level of 92%. The stake of 92% was achieved by way of various agreements made with Mr. Singh, Mr. Khurana and Mr. Dhillon and by now, these three friends were left with only 8% shareholding in New Age Automobiles Private Limited. Being the owner of 92% equity shares of New Age Automobiles Private Limited, Jagat Electricals Limited was running the

affairs of the company in the manner that suited it; and Mr. Singh, Mr. Khurana and Mr. Dhillon, though minority shareholders, could not digest this phenomenon.

As a consequence of 'thought-to-be' mismanagement in New Age Automobiles Private Limited, Mr. Khurana, Mr. Singh and Mr. Dhillon decided to file an application with the jurisdictional National Company Law Tribunal (NCLT) against oppression and mismanagement in the company.

Later on, Jagat Electricals Limited wanted to execute an agreement with Mr. Khurana, Mr. Singh and Mr. Dhillon for purchasing their remaining shareholding of 8%. Pursuant to this, Jagat Electricals Limited had sent a notice to Mr. Khurana, Mr. Singh and Mr. Dhillon to sell their shares based on a particular 'sale consideration' rather than on the basis of an agreed price. As there was no response, Jagat Electricals Limited sent another notice to these friends invoking the previous notice, offering them to sell their shareholdings at an agreed price which was to be decided in accordance with the valuation done by a Practicing Chartered Accountant.

Thereafter, Jagat Electricals Limited issued a notice to New Age Automobiles Private Limited for purchasing the minority shareholding as per Section 236 of the Companies Act, 2013. Accordingly, New Age Automobiles Private Limited issued a notice to Mr. Khurana, Mr. Singh and Mr. Dhillon asking them to deliver their shares. However, Mr. Khurana, Mr. Singh and Mr. Dhillon refused to transfer their shares. Mrs. Usha Singh, wife of Mr. Singh, owns a finance company by the name Singh Finance Company Private Limited whose turnover is ₹ 5 crore. In addition to Mrs. Usha Singh, Mr. Singh is also a Director in Singh Finance Company Private Limited. The sole purpose of the company is to give loans to other companies and corporate houses for business purposes.

Some three years before, Charan Singh Auto Parts Pvt. Limited took ₹ 10 lakhs as loan from Singh Finance Company Private Limited of which ₹ 6 lakhs along with interest has been repaid. As on date, the outstanding dues of Charan Singh Auto Parts Pvt. Limited towards Singh Finance Company Private Limited are ₹ 4 lakhs.

An investigation was conducted into the affairs of Charan Singh Auto Parts Pvt. Limited, for it came to the knowledge of Central Government that the business of this company was being done in an unfair and fraudulent manner. Singh Finance Company Private Limited and one other company called Arpita Traders Private Limited decided to file an application with the jurisdictional National Company Law Tribunal (NCLT) to impose restrictions on Charan Singh Auto Parts Pvt. Limited since it was likely to transfer its assets in a manner that would prejudicially affect their interests. It is noteworthy that Singh Finance Company Private Limited is a secured creditor whereas Arpita Traders is an unsecured creditor. Charan Singh Auto Parts Pvt. Limited is required to repay ₹ 75,000 to Arpita Traders Private Limited.

Mr. Hritik, son of Mr. Khurana, is working as Chief Financial Officer (CFO) in Yatin Mechanical Apparatus Private Limited for the last two years. The Central Government has appointed inspectors to investigate into the affairs of Yatin Mechanical Apparatus Private Limited, after receiving an intimation through special resolution passed by the company that the affairs of Yatin Mechanical Apparatus Private Limited ought to be investigated under Section 210 of the Companies Act, 2013. The main aim of the investigation is to obtain any evidence or facts regarding any malpractice in the course of conducting of business and also to identify its profits and losses correctly. During the ongoing investigation, Yatin Mechanical Apparatus Private Limited desired to discharge Mr. Hritik from his job as Chief Financial Officer (CFO).

[Study Material 29]

1	**Mr. Khurana, Mr. Singh and Mr. Dhillon had filed an application with the National Company Law Tribunal against oppression and mismanagement prevailing in New Age Automobiles Private Limited in which Jagat Electric Limited is the majority shareholder. Choose the correct option as to whether the said application is maintainable with NCLT:**

	(a) Application filed with NCLT against oppression and mismanagement prevailing in New Age Automobiles Private Limited cannot be maintained, as Mr. Khurana, Mr. Singh and Mr. Dhillon together hold less than 10% shares. (b) The application filed with NCLT by Mr. Khurana, Mr. Singh and Mr. Dhillon against oppression and mismanagement prevailing in New Age Automobiles Private Limited is maintainable. (c) It is within the discretion of NCLT whether to entertain the application or not. (d) Application filed with NCLT against oppression and mismanagement prevailing in New Age Automobiles Private Limited cannot be maintained, as Mr. Khurana, Mr. Singh and Mr. Dhillon together hold less than 9% shares.
2	**Jagat Electricals Limited sent again a notice after invoking the previous notice to Mr. Khurana, Mr. Singh and Mr. Dhillon, respectively, offering them to sell their shares at an agreed price to be decided by a Practicing Chartered Accountant. Do you think the minority shareholders are liable to sell their shares to the majority shareholders in such a situation:** (a) Since price is based on the valuation done by a Practicing Chartered Accountant who has both legal as well as financial knowledge, minority shareholders are liable to sell their shares to the majority shareholders. (b) It is optional for the minority shareholders to sell their shares to the majority shareholders but the price needs to be determined on the basis of valuation carried out by a Registered Valuer. (c) It is optional for the minority shareholders to sell their shares to the majority shareholders but the price needs to be determined on the basis of valuation carried out by a Practicing Company Secretary. (d) In the given situation, the minority shareholders have no option but to sell their shares to the majority shareholders irrespective of which professional carries out the valuation of shares.
3	**From the case scenario it is evident that Mr. Singh, Mr. Khurana and Mr. Dhillon being minority shareholders refused to sell their shareholdings of 8% to Jagat Electricals Limited. In case the trio agrees to the proposal, then maximum within how much time the amount of consideration shall be disbursed to them after it is deposited by Jagat Electricals Limited in a separate bank account to be operated by New Age Automobiles Private Limited.** (a) Maximum within 15 days, the amount of consideration shall be disbursed to Mr. Singh, Mr. Khurana and Mr. Dhillon by New Age Automobiles Private Limited for selling their shareholdings of 8% to Jagat Electricals Limited. (b) Maximum within 30 days, the amount of consideration shall be disbursed to Mr. Singh, Mr. Khurana and Mr. Dhillon by New Age Automobiles Private Limited for selling their shareholdings of 8% to Jagat Electricals Limited. (c) Maximum within 60 days, the amount of consideration shall be disbursed to Mr. Singh, Mr. Khurana and Mr. Dhillon by New Age Automobiles Private Limited for selling their shareholdings of 8% to Jagat Electricals Limited. (d) Maximum within 90 days, the amount of consideration shall be disbursed to Mr. Singh, Mr. Khurana and Mr. Dhillon by New Age Automobiles Private Limited for selling their shareholdings of 8% to Jagat Electricals Limited.
4	**Singh Finance Company Private Limited and Arpita Traders Private Limited were of the view that Charan Singh Auto Parts Pvt. Limited is likely to transfer its assets in a manner that will prejudicially affect their interests. In the capacity as creditors of Charan Singh Auto Parts Pvt. Limited, whether they are eligible to file such an application with the NCLT:**

	(a) Both Singh Finance Company Private Limited and Arpita Traders Private Limited in their individual capacity as creditors are eligible to file the application with NCLT against Charan Singh Auto Parts Pvt. Limited. (b) Only Singh Finance Company Private Limited in its capacity as creditor is eligible to file the application with NCLT against Charan Singh Auto Parts Pvt. Limited. (c) Only Arpita Traders Private Limited in its capacity as creditor is eligible to file the application with NCLT against Charan Singh Auto Parts Pvt. Limited. (d) Since Singh Finance Company Private Limited is a secured creditor and Arpita Traders Private Limited is not a secured creditor, hence only Singh Finance Company Private Limited is eligible to file the application with NCLT against Charan Singh Auto Parts Pvt. Limited.
5	**The investigation being pending, Yatin Mechanical Apparatus Private Limited is desirous of discharging Mr. Hritik from his from his job as Chief Financial Officer (CFO). Select the correct option from those given below whether Yatin Mechanical Apparatus Private Limited can so discharge Mr. Hritik:** (a) Yatin Mechanical Apparatus Private Limited cannot discharge Mr. Hritik from his job as Chief Financial Officer (CFO) till the expiry of 15 days from the completion of ongoing investigation because he falls in the category of Key Managerial Personnel. (b) Yatin Mechanical Apparatus Private Limited is required to seek approval of the NCLT before discharging Mr. Hritik from his job as Chief Financial Officer (CFO). (c) Yatin Mechanical Apparatus Private Limited is required to seek approval of the inspectors conducting investigation before discharging Mr. Hritik from his job as Chief Financial Officer (CFO). (d) Yatin Mechanical Apparatus Private Limited cannot discharge Mr. Hritik from his job as Chief Financial Officer (CFO) till the expiry of thirty days from the completion of ongoing investigation because he falls in the category of Key Managerial Personnel.

Answers - Integrated Case Study 1

Q. No	Answer	
1	**(b)**	The application filed with NCLT by Mr. Khurana, Mr. Singh and Mr. Dhillon against oppression and mismanagement prevailing in New Age Automobiles Private Limited is maintainable.
2	**(b)**	It is optional for the minority shareholders to sell their shares to the majority shareholders but the price needs to be determined on the basis of valuation carried out by a Registered Valuer.
3	**(c)**	Maximum within 60 days, the amount of consideration shall be disbursed to Mr. Singh, Mr. Khurana and Mr. Dhillon by New Age Automobiles Private Limited for selling their shareholdings of 8% to Jagat Electricals Limited.
4	**(b)**	Only Singh Finance Company Private Limited in its capacity as creditor is eligible to file the application with NCLT against Charan Singh Auto Parts Pvt. Limited.
5	**(b)**	Yatin Mechanical Apparatus Private Limited is required to seek approval of the NCLT before discharging Mr. Hritik from his job as Chief Financial Officer (CFO).

Integrated Case Study - 2

Having met each other while working for an IT organisation during 2014, Adarsh and Aadhav teamed up to enter online grocery and vegetable delivery space and founded Harekrishna Daily Needs Limited with the Head Office in Gurgaon (currently called Gurugram) in the beginning of the year 2016. Initially the company had ten subscribers who were related to both Adarsh and Aadhav. They launched 'Groceve - a Mobile App portmanteau of groceries and vegetables' through which the consumers could order their daily requirements against online payments and get quick doorstep deliveries of various daily need items. By and by, the company started catering to the northern India. As on 31st March, 2021, it had paid-up share capital of ₹ 200 lacs (20 lacs equity shares of ₹ 10 each) held by 500 shareholders.

As Harekrishna Daily Needs Limited was in need of a Managing Director, it appointed Gyanendra Singh as its MD in April 2019. Earlier, Gyanendra Singh worked as General Manager of Vyom Financial Services Limited, a non-banking financial company (NBFC). Habitual of working according to his own whims and caprices, he acted the same way in this company also. He, in his own style, started ordering the employees to supply groceries to the retailers as well as wholesalers at concessional rates which, in fact, was against the policy of the company, for the policy was to supply goods directly to consumers after obtaining online payments. In addition, he offered two months' and three months' debt collection period to the retailers and wholesalers respectively after receiving kickbacks from them. Further, no cash security was deposited by the retailers and wholesalers to cover late payments. Most of the retailers and also wholesalers did not clear their outstanding dues resulting in bad debts. At the end of the financial year 2021-21, the company suffered heavy bad debts which had to be written off at the time of finanalising the annual accounts.

Aggrieved by these wrongful and undesirable acts, 10 members of Harekrishna Daily Needs Limited made an application before the jurisdictional National Company Law Tribunal (NCLT) praying that the affairs of the company were being conducted in a manner prejudicial to the interests of the members as well as the company and requested NCLT for termination of the service agreement of the Managing Director, Mr. Gyanendra Singh.

The National Company Law Tribunal (NCLT), however, did not entertain the application filed by 10 members stating that the members making the application were not eligible to apply.

When Dharmesh, one of the shareholders, came to know about rejection of the application by National Company Law Tribunal (NCLT), he, on his own, filed the application afresh with the NCLT on the similar grounds of mismanagement and making the company and its Managing Director Gyanendra Singh as respondents. In fact, Dharmesh through his representative also brought to the knowledge of NCLT that Gyanendra Singh, during his earlier assignment as General Manager with Vyom Financial Services Limited, was involved in sanctioning big loans without insisting on adequate security to dubious borrowers and therefore, many such loan accounts turned non-performing assets (NPA) and irrecoverable.

It is to be noted that the National Company Law Tribunal (NCLT) after accepting the application filed by Dharmesh and after hearing both the parties, observed that Gyanendra Singh, the Managing Director of Harekrishna Daily Needs Limited was involved in malpractices and mismanagement, on the basis of his past track record and the current handling of affairs of Harekrishna Daily Needs Limited. The NCLT, therefore, ordered termination of the service agreement by which he was appointed as Managing Director. Gyanendra Singh demanded compensation from the company for the remaining period of his service since his term as Managing Director was yet to expire. [Study Material 34]

1	**In the above case scenario, an application was filed by 10 members of Harekrishna Daily Needs Limited citing the prevalence of mismanagement in the company but it was rejected by the National Company Law Tribunal (NCLT) stating that 10 shareholders were ineligible to apply. In the given situation, how many members irrespective of their shareholdings need to apply to the NCLT:**

	(a) Minimum 100 members of Harekrishna Daily Needs Limited, irrespective of their shareholdings, are required to file an application with NCLT against mismanagement in the company. (b) Minimum 75 members of Harekrishna Daily Needs Limited, irrespective of their shareholdings, are required to file an application with NCLT against mismanagement in the company. (c) Minimum 50 members of Harekrishna Daily Needs Limited, irrespective of their shareholdings, are required to file an application with NCLT against mismanagement in the company. (d) Minimum 25 members of Harekrishna Daily Needs Limited, irrespective of their shareholdings, are required to file an application with NCLT against mismanagement in the company.
2	**After rejection of application filed by 10 members of Harekrishna Daily Needs Limited, Dharmesh, one of the shareholders of the company, filed the application afresh on the similar grounds of mismanagement which was accepted by the National Company Law Tribunal (NCLT). What could be the reason because of which application filed by Dharmesh was accepted by the NCLT:** (a) Application filed by Dharmesh was accepted by the NCLT because he must be the holder of minimum 1,00,000 shares of the face value of ₹ 10 each amounting to ₹ 10 lacs. (b) Application filed by Dharmesh was accepted by the NCLT because he must be the holder of minimum 2,00,000 shares of the face value of ₹ 10 each amounting to ₹ 20 lacs. (c) Application filed by Dharmesh was accepted by the NCLT because he must be the holder of minimum 2,50,000 shares of the face value of ₹ 10 each amounting to ₹ 25 lacs. (d) Application filed by Dharmesh was accepted by the NCLT because he must be the holder of minimum 3,00,000 shares of the face value of ₹ 10 each amounting to ₹ 30 lacs.
3	**According to the case scenario, Gyanendra Singh demanded compensation from Harekrishna Daily Needs Limited for the remaining period of his service since his term as Managing Director was yet to expire. Whether the company is liable to pay him compensation in view of the fact that his service agreement was terminated by National Company Law Tribunal (NCLT)?** (a) Harekrishna Daily Needs Limited, irrespective of termination of his service agreement by the NCLT, is required to compensate Gyanendra Singh by paying him remuneration equal to the remaining period of his service but such compensation must not exceed three years of remuneration. (b) Harekrishna Daily Needs Limited, irrespective of termination of his service agreement by the NCLT, is required to compensate Gyanendra Singh by paying him remuneration equal to the remaining period of his service but such compensation must not exceed two years of remuneration. (c) Harekrishna Daily Needs Limited, irrespective of termination of his service agreement by the NCLT, is required to compensate Gyanendra Singh by paying him remuneration equal to the remaining period of his service but such compensation must not exceed fifteen months of remuneration. (d) Harekrishna Daily Needs Limited is not required to compensate Gyanendra Singh, for his service agreement was terminated by the NCLT.
4	**The case scenario mentions that National Company Law Tribunal (NCLT) ordered termination of the service agreement by which he was appointed as Managing Director of Harekrishna Daily Needs Limited. Whether Gyanendra Singh, after being terminated, can be offered the office of Managing Director or director or manager by the company?** (a) Gyanendra Singh, after termination of the service agreement as Managing Director by NCLT, cannot be offered the office of Managing Director or director or manager by the company for a period of one year from the date of the order of NCLT without the leave of NCLT.

	(b)	Gyanendra Singh, after termination of the service agreement as Managing Director by NCLT, cannot be offered the office of Managing Director or director or manager by the company for a period of three years from the date of the order of NCLT without the leave of NCLT.
	(c)	Gyanendra Singh, after termination of the service agreement as Managing Director by NCLT, cannot be offered the office of Managing Director or director or manager by the company for a period of five years from the date of the order of NCLT without the leave of NCLT.
	(d)	Gyanendra Singh, after termination of the service agreement as Managing Director by NCLT, cannot be offered the office of Managing Director or director or manager by the company for a period of seven years from the date of the order of NCLT without the leave of NCLT.

Answers - Integrated Case Study 2

Q. No	Answer	
1	**(c)**	Minimum 50 members of Harekrishna Daily Needs Limited, irrespective of their shareholdings, are required to file an application with NCLT against mismanagement in the company.
2	**(b)**	Application filed by Dharmesh was accepted by the NCLT because he must be the holder of minimum 2,00,000 shares of the face value of ₹ 10 each amounting to ₹ 20 lacs.
3	**(d)**	Harekrishna Daily Needs Limited is not required to compensate Gyanendra Singh, for his service agreement was terminated by the NCLT.
4	**(c)**	Gyanendra Singh, after termination of the service agreement as Managing Director by NCLT, cannot be offered the office of Managing Director or director or manager by the company for a period of five years from the date of the order of NCLT without the leave of NCLT.

Integrated Case Study - 3

Balfor Ltd., is an unlisted company, having total 70 members, with a paid up capital of ₹ 42,00,000, having turnover of ₹ 200 crore, as per the audited financial statements for the year ended on 31st March, 2022.

5 members holding in total 4% stake in the company, met in person to discuss about the oppression and mismanagement going on in Balfor Ltd. and to do something about it. One of the members, Mr. Ravi, suggested that we five members should file a class action application to the Tribunal to get a resolution in this matter, to which another member, Mr. Jay, told that he is in contact with 3 other members of the company, holding in total 3% stake, who are also finding the activities going on in the company to be unjust. So, five plus three other members i.e. 8 members in total, will be able to file an application to the Tribunal under section 244 of the Companies Act, 2013.

The application of complaint for oppression and mismanagement was filed to the Tribunal on 4th June, 2022, with the consent of aforesaid 8 members of the company. The said application provided the details of an agreement made by Balfor Ltd. with Mr. Dev, a relative of director of Balfor Ltd., Mr. Raj, with respect to continuous supply of raw materials to Balfor Ltd., for which Mr. Raj, had received certain commission from Mr. Dev, in cash, for offering the contract to him. Also, another director, Mr. Jayesh, had improperly transferred a property of Balfor Ltd. on 6th March, 2022, to Mr. Prakash.

The Tribunal on receipt of such application, made an order, directing investigation into the affairs of Balfor Ltd. Also, the agreement made with Mr. Dev was ordered to be terminated after giving notice to Mr. Dev and obtaining his consent. However, no compensation was ordered to be paid to Mr. Dev for such cancellation of agreement. The contract with respect to property transferred by Mr. Jayesh was also ordered to be set

aside, as it would have been deemed to be a fraudulent preference, in case such transaction was made by an individual in his insolvency.

Simultaneously, the Central Government ordered for the investigation into the affairs of Balfor Ltd., on receipt of the order from the Tribunal and the task of such investigation was assigned to the Serious Fraud Investigation Office. The Director of Serious Fraud Investigation Office, on getting such order from the Central Government, designated 3 inspectors for such investigation and soon, the investigation got started by the designated persons.

One of the Investigating officers, Mr. Vaibhav, issued summons, to 2 employees, of Balfor Ltd., Mr. Karan and Mr. Arjun, respectively, as well as, to Mr. Daya, an employee of Kafor Ltd., an associate company of Balfor Ltd., after taking the requisite approvals.

The aforesaid persons attended at the place at which they were summoned by Mr. Vaibhav and were examined on oath, one after the other. During the said examination, Mr. Vaibhav, took down notes in writing and he read over the notes taken by him, to all the persons examined, after the end of examination. After hearing the said notes, Mr. Karan and Mr. Arjun, signed the document on which such notes were written but Mr. Daya, refused to sign such document without any reasonable cause for the same, on the same day, but then he thought there would be no issue in signing and so he signed the same after 20 days.

Mr. Vaibhav, forwarded the notes taken by him to the Assistant Director of Serious Fraud Investigation Office, Mr. Ramanuj, and on the basis of such notes, he derived that Mr. Arjun has committed an offence under section 447 of the Companies Act, 2013 which Mr. Ramanuj reconfirmed with Mr. Vaibhav, via email.

Mr. Ramanuj, accordingly, passed an order for arrest of Mr. Arjun, after recording in writing the reasons for such arrest and he immediately forwarded the copy of order of such arrest to the concerned authority along with the document containing notes taken by Mr. Vaibhav at the time of examination of Mr. Arjun, which indicated that he has committed an offence under section 447 of the Companies Act, 2013.

Balfor Ltd., on coming to know of such arrest of Mr. Arjun, wanted to give termination to him and also wanted to demote Mr. Karan to position of junior assistant from his position of senior assistant in the company, during the pendency of investigation and for that purpose it made an application to the Tribunal for the same on 10th October, 2022.

In response to the said application from Balfor Ltd., the Tribunal passed an order on 26th October, 2021 allowing the termination to be given to Mr. Arjun but it objected to the decision of the company for reduction in rank of Mr. Karan from his current position, against which Balfor Ltd. filed an application with the appellate tribunal on 15th November, 2022. [RTP-May 21]

1	**State in the light of the given facts , whether, the five members holding in total 4% stake in Balfor Ltd., or the eight members, holding in total 7% stake in Balfor Ltd., were eligible for filing application for class action or/and u/s 244, respectively, of the Companies Act, 2013?** (a) For filing application for class action, 5 members were eligible and also for filing application u/s 244 of the Companies Act, 2013, 8 members were eligible. (b) For filing application for class action, 5 members were not eligible and also for filing application u/s 244 of the Companies Act, 2013, 8 members were not eligible. (c) For filing application for class action, 5 members were eligible but for filing application u/s 244 of the Companies Act, 2013, 8 members were not eligible. (d) For filing application for class action, 5 members were not eligible but for filing application u/s 244 of the Companies Act, 2013, 8 members were eligible.
2	**Whether the decision of Tribunal can be considered as valid with respect to termination of agreement made by Balfor Ltd. with Mr. Dev as well as setting aside the contract of transfer of property, respectively?**

	(a) The decision of tribunal for termination of agreement made by Balfor Ltd. with Mr. Dev can be considered as valid. Also, the decision of setting aside the contract of transfer of property, can be considered as valid as such transfer was made within 6 months before the date of making application to the tribunal. (b) The decision of tribunal for termination of agreement made by Balfor Ltd. with Mr. Dev cannot be considered as valid as no compensation was ordered to be paid to Mr. Dev. Also, the decision of setting aside the contract of transfer of property, cannot be considered as valid as such transfer was not made within 90 days before the date of making application to the tribunal. (c) The decision of tribunal for termination of agreement made by Balfor Ltd. with Mr. Dev can be considered as valid. Also, the decision of setting aside the contract of transfer of property, can be considered as valid as such transfer was made within 3 months before the date of making application to the tribunal. (d) The decision of tribunal for termination of agreement made by Balfor Ltd. with Mr. Dev cannot be considered as valid as no compensation was ordered to be paid to Mr. Dev. However, the decision of setting aside the contract of transfer of property, can be considered as valid as such transfer was made within 3 months before the date of making application to the tribunal.
3	**Prior approval of which authority would have been sufficient for Mr. Vaibhav for examining Mr. Daya, on oath, and how much maximum amount of fine could be levied on Mr. Daya for refusing to sign the document containing the notes taken down by Mr. Vaibhav?** (a) Prior approval of Director of Serious Fraud Investigation Office would have been sufficient for Mr. Vaibhav and maximum amount of fine that could be levied on Mr. Daya is ₹ 1,00,000. (b) Prior approval of Central Government would have been sufficient for Mr. Vaibhav and maximum amount of fine that could be levied on Mr. Daya is ₹ 40,000. (c) Prior approval of Director of Serious Fraud Investigation Office would have been sufficient for Mr. Vaibhav and maximum amount of fine that could be levied on Mr. Daya is ₹ 1,40,000. (d) Prior approval of Central Government would have been sufficient for Mr. Vaibhav and no fine that could be levied on Mr. Daya as he has signed the said document within 30 days of being examined on oath.
4	**Whether Mr. Ramanuj was having the authority to exercise power to make an order of arrest of Mr. Arjun on the basis of notes of examination received from Mr. Vaibhav and to which authority, Mr. Ramanuj would have forwarded the copy of arrest order along with the document containing notes?** (a) No, as such notes can't be considered as a material or evidence in his possession to be used against Mr. Arjun and Mr. Ramanuj would have forwarded the copy of arrest order along with the document containing notes to the Serious Fraud Investigation Office. (b) Yes, as such notes constitute valid evidence to be used against Mr. Arjun and Mr. Ramanuj would have forwarded the copy of arrest order along with the document containing notes to the Central Government. (c) No, as such notes can't be considered as a material or evidence in Mr. Ramanuj's possession to be used against Mr. Arjun and Mr. Ramanuj would have forwarded the copy of arrest order along with the document containing notes to NCLT. (d) Yes, as such notes constitute valid evidence to be used against Mr. Arjun and Mr. Ramanuj would have forwarded the copy of arrest order along with the document containing notes to the Serious Fraud Investigation Office
5	**What was the last date available with Tribunal to give response to the application made by Balfor Ltd. with respect to its employees as well as with Balfor Ltd. to file appeal with the appellate tribunal?**

	(a) 10th November, 2022 and 26th November, 2022, respectively. (b) 9th November, 2022 and 25th November, 2022, respectively. (c) 10th November, 2022 and 25th December, 2022, respectively. (d) 9th November, 2022 and 26th November, 2022, respectively.

Answers - Integrated Case Study 3

Q. No	Answer	
1	**(a)**	For filing application for class action, 5 members were eligible and also for filing application u/s 244 of the Companies Act, 2013, 8 members were eligible.
2	**(c)**	The decision of tribunal for termination of agreement made by Balfor Ltd. with Mr. Dev can be considered as valid. Also, the decision of setting aside the contract of transfer of property, can be considered as valid as such transfer was made within 3 months before the date of making application to the tribunal.
3	**(c)**	Prior approval of Director of Serious Fraud Investigation Office would have been sufficient for Mr. Vaibhav and maximum amount of fine that could be levied on Mr. Daya is ₹ 1,40,000.
4	**(d)**	Yes, as such notes constitute valid evidence to be used against Mr. Arjun and Mr. Ramanuj would have forwarded the copy of arrest order along with the document containing notes to the Serious Fraud Investigation Office
5	**(b)**	9th November, 2022 and 25th November, 2022, respectively.

Integrated Case Study - 4

Chirag Air-conditioners Ltd. is producing quality air-conditioners. It has 10 lakh shareholders having face value of ₹ 10/- each. The company had called first call of ₹ 5/- per share in January 2021. Now, in December 2022, it demanded the second and final call of ₹ 5/-. Out of 10 lakh shareholders, 15% shareholders did not paid the second and final call.

The company demanded the second and final call from the shareholders to meet out its cost of project for establishing second unit in Industrial Area, Jaipur. The land was already allotted by the RIICO to the company and the capital was raised in order to import the machinery from Germany. However, the company, instead of importing the machinery, utilised the money so raised, in purchasing the land near by Jaipur, to develop it as a Resort, for the use of promoters of the company. This news was widely published in the Economic Times, Business Standard and Business Line.

Some of the shareholders of the company sought opinion from a professional, what to do, where the company's affairs are being conducted in a manner prejudicial to the public interest. [MTP-March 22]

1	**The members of the Chirag Air-conditioners Ltd., wanted to make a complaint that the affairs of the company are being conducted in a manner prejudicial to the public interest. It may:** (a) Bring the matter in the knowledge of the Audit Committee of Board of the Company (b) Bring the matter in the knowledge of the Investor's Grievances Committee of the Company (c) Apply to the Tribunal (d) Cannot make complaint, as act of the company was made with intent to benefit the shareholders and the company itself.

2	**The Central Government, after taking cognizance of the news published in the business newspapers, is of the opinion that the affairs of the company are being conducted in a manner prejudicial to the public interest, it may:** (a) Inform the Registrar (b) Apply to the Tribunal (c) Dismiss the Board of Directors of the company (d) Ask the SEBI to banned the company from raising any further issue of capital
3	**Which members are eligible to apply to the Tribunal under section 241:** (a) All the members of the company (b) Only the members who have full amount due on the shares (c) The Tribunal have the powers to waive the condition of fully paid shares (d) The members who have fully paid the shares can apply to the Tribunal, however the Tribunal have powers to waive such requirements as mentioned in sub-section (1) and (2) of section 241.
4	**How many members are required to apply to the Tribunal:** (a) One hundred members only (b) Not less than one hundred members only (c) Not less than one-tenth of the total number of its members (d) Not less than one hundred members of the company or not less than one-tenth of the total number of its members, whichever is less.
5	**How many members may apply to the Tribunal, in case the company is not having any share capital:** (a) All the members of the company (b) One-fifth of the total number of members of the company (c) Not less than one-fifth of the total number of members of the company (d) Not less than one-tenth of the total number of members of the company

Answers - Integrated Case Study 4

Q. No	Answer	
1	**(c)**	Apply to the Tribunal
2	**(b)**	Apply to the Tribunal
3	**(d)**	The members who have fully paid the shares can apply to the Tribunal, however the Tribunal have powers to waive such requirements as mentioned in sub-section (1) and (2) of section 241.
4	**(d)**	Not less than one hundred members of the company or not less than one-tenth of the total number of its members, whichever is less.
5	**(c)**	Not less than one-fifth of the total number of members of the company

Integrated Case Study - 5

Daily Needs Ltd. is a unlisted public company, engaged in the business of supplying the daily needs of the house hold. It receives orders, on online basis and make supplies to the customers at their door steps.

As on 31.03.2023, the total number of shareholders were 500. The share capital of the company is 100 lakh rupees.

Gyan Singh is the Managing Director of the company. He joined this company in April 2022. Prior to joining this company, Gyan Singh was the General Manager in a NBFC. From the media sources, it came into picture that Gyan Singh was involved in sanctioning the proposal of big loans without insisting the security from the borrowers and many of the loan accounts during his tenure turned into NPA. It shows the intention of Gyan Singh that he might have been involved in accepting the bribe in sectioning the clean loans.

After joining this company, Gyan Singh started ordering his employees to supply the goods at the shops of the retailers also on credit. Whereas the company's policy was to supply the essential daily needs at the door steps of consumers only. Many of retailers used to visit the the MD's office to supply the goods on credit. In some of the cases the recovery from that retailers became difficult and the company had to write - off these debts while finalising the annual accounts as of 31.03.2023.

Aggrieved from this, some 10 members of the company made an application before the Tribunal making the company and its MD as respondents, that the affairs of the company are being conducted in a manner prejudicial to the public interest and requested for removal of the Managing Director.

The Tribunal turned down the application of the members mentioning therein that the members who applied for are not eligible to apply.

When Dharmesh, one of the shareholder came into the knowledge that the Tribunal has turned down the application of 10 member, he himself alone applied to the Tribunal making the company and its MD as respondent. Dharmesh is holding 2 lakh of shares, consisting the face value of ₹ 20 lakh. He is also the Member of the Parliament.

After accepting the application, the Tribunal heard both the parties and observed that Gyan Singh was involved in mal-practices, on the basis of his past track record and the present working. It opined tha t this person is not a fit and proper person to continue as MD of the company and ordered for removal of Gyan Singh from the post of Managing Director. The Managing Director claimed for the compensation for removal of the office from the company, from the date of removal to the remaining period. [MTP- March 23]

1	**In case of oppression and mismanagement, how many members can apply to the Tribunal:** (a) Not less than 100 members are required to file an application with the Tribunal. (b) Not less than one-tenth of the total number of members i.e. 50 members (500/10= 50) are required to file an application with the Tribunal (c) Not less than 100 members of the company or not less than one-tenth of the total number of its members, whichever is less. i.e. 50 members are required to file an application with the Tribunal. (d) Not less than 100 members of the company or not less than one-tenth of the total number of its members, whichever is higher i.e. 100 members are required to file an application with the Tribunal.
2	**On what grounds the application of Dharmesh was accepted by the Tribunal:** (a) Dharmesh is the reputed person in the society. (b) Dharmesh is having the majority of shares in the company. (c) Dharmesh is having more than one-tenth share in the share capital of the company. (d) Dharmesh is Member of Parliament.
3	**Whether Tribunal have powers to remove the Managing Director, who was appointed by the Board and the shareholders in the General Meeting:** (a) No, Tribunal do not have the powers to remove any official. (b) The Tribunal can only order for the winding up of the company if it is just and equitable for the company. (c) The Tribunal may after observing the mal-practices of the MD, can ask not to repeat it. (d) The Tribunal can terminate the service agreement arrived at between the company and the MD.

4	**Whether Gyan Singh, the Managing Director can demand compensation from the company from the date of removal to the remaining period:** (a) The MD can demand the compensation from the date of removal to the remaining period. (b) The MD can be relieved by notice with three month's salary. (c) The MD can be relieved by notice with one month's salary. (d) The MD cannot demand any compensation for loss of office.
5	**Whether Gyan Singh after being terminated from this company, can apply to any other company for the post of director or any other office:** (a) After termination from this company, Gyan Singh can apply to any other company for the post of director or any other office. (b) After termination from this company, Gyan Singh cannot apply to any other company for the post of director or any other office, a period of one year. (c) After termination from this company, Gyan Singh cannot apply to any other company for the post of director or any other office, a period of three years. (d) After termination from this company, Gyan Singh cannot apply to any other company for the post of director or any other office, a period of five years.

Answers - Integrated Case Study 5		
Q. No	**Answer**	
1	**(c)**	Not less than 100 members of the company or not less than one-tenth of the total number of its members, whichever is less. i.e. 50 members are required to file an application with the Tribunal.
2	**(c)**	Dharmesh is having more than one-tenth share in the share capital of the company.
3	**(d)**	The Tribunal can terminate the service agreement arrived at between the company and the MD.
4	**(d)**	The MD cannot demand any compensation for loss of office.
5	**(d)**	After termination from this company, Gyan Singh cannot apply to any other company for the post of director or any other office, a period of five years.