A rights issue that does not comply with the mandatory timing and procedural requirements under company law, and which is structured in a way that reduces majority shareholders into a minority and transfers control, constitutes oppression under Sections 241 and 242 of the Companies Act, 2013

The **Hyderabad Bench of the National Company Law Tribunal (NCLT)** in the case of **Ashok Kumar Mandhani vs MBG Commodities Pvt Ltd [IA(CA)/304/2025] dated June 16, 2026**, has held that service of notice for a general meeting is a mandatory statutory requirement, and where an EGM is convened without proper proof of service on substantial shareholders, the meeting and resolutions passed thereat are liable to be set aside. Further, a rights issue that does not comply with the mandatory timing and procedural requirements under company law, and which is structured in a way that reduces majority shareholders into a minority and transfers control, constitutes oppression under Sections 241 and 242 of the Companies Act, 2013.

The Tribunal noted the legal threshold under Sections 242(1)(a) and 242(1)(b), namely that oppression or mismanagement must be proved and that circumstances should justify winding up on just and equitable grounds, though relief can be moulded to avoid winding up. It also held that the petitioners were entitled to maintain the petition as members satisfying the statutory requirement under Section 244 of the Companies Act.

The Tribunal also found procedural illegality in the rights issue itself. It recorded that the issue opened on June 19, 2025 and closed on June 27, 2025, remaining open for only eight days, contrary to the minimum period under Section 62(1)(a). It further noted that the letter of offer was dispatched on June 17, 2025 for an issue opening on June 19, 2025, which did not satisfy the regulatory requirement referred to by the Tribunal for dispatch at least three days before opening.

A major factual circumstance noted by the Tribunal was that on the very first day of the issue, Respondent No. 5 subscribed not only to her entitlement but also applied for the large unsubscribed balance which could have become available only after expiry of the offer period and non-subscription by others. The Tribunal treated this as showing that the allotment process was pre-arranged and contrived. It held that the cumulative effect of these facts showed contravention of mandatory requirements governing a rights issue.