

Jurisdiction under Sections 241-242 of the Companies Act is a special statutory jurisdiction that cannot be waived by prior invocation of arbitration, and where the cause of action is composite, includes non-arbitrable reliefs, and involves parties not bound by the arbitration agreement, bifurcation is impermissible

The **Chandigarh Bench of the National Company Law Tribunal (NCLT)** in the case of **Utsav Soi vs USAR Commerce Technologies [CA No. 201 of 2025]** dated **April 29, 2026**, has held that where a petition under Sections 241-242 of the Companies Act, 2013 raises grievances and seeks reliefs that concern corporate governance, directorial status, board and shareholder actions, dilution of shareholding, alteration of constitutional documents, and other matters affecting rights in rem and the ownership and governance structure of the company, such disputes are statutory in character and are not amenable to arbitration merely because the dispute may have been triggered by or may overlap with contractual arrangements containing arbitration clauses.

The Tribunal further held that the jurisdiction under Sections 241-242 is a special statutory jurisdiction that cannot be waived by prior invocation of arbitration, and where the cause of action is composite, includes non-arbitrable reliefs, and involves parties not bound by the arbitration agreement, bifurcation is impermissible. The Tribunal found that many of the disputes raised and reliefs sought were not amenable to arbitration under the Employment Agreement or the Shareholders' Agreement, and that the acts complained of fell within the exclusive jurisdiction of the Tribunal under Sections 241-242 of the Companies Act, 2013. It accordingly directed that the interim order would continue in full force and effect.

The Tribunal framed the core issue as to whether the disputes and reliefs in the petition under Sections 241-242 of the Companies Act, 2013 were amenable to arbitration under the Employment Agreement and the Shareholders' Agreement, or whether they were fully or partly non-arbitrable matters of oppression and mismanagement falling exclusively within the Tribunal's jurisdiction. It observed that Respondent No. 1 was not merely an employee under the Employment Agreement, but also a co-founder, 35% promoter-shareholder, and founding director, and that these capacities existed independently of the employment relationship. The Tribunal therefore held that the fact that termination of employment was the starting point did not make the entire dispute purely contractual in nature.

The Tribunal rejected the applicant's characterization of the petition as a dressed-up contractual dispute. It held that the termination was only the trigger, and that what followed went beyond enforcement of contractual rights. It specifically referred to the alleged vacation of directorship without proceedings under Section 169 of the Companies Act, 2013, the EGM convened with only one director present and without the mandatory 95% shareholder consent under Section 101, the appointment of Respondent No. 3, the filing of DIR-12, the amendments to the MOA and AOA, the issuance of CCPS resulting in dilution of shareholding, the invocation of a call option to acquire the stake at a nominal amount, and the incorporation of "Shoppin Commerce Inc." in Delaware for diversion of intellectual property and goodwill.

According to the Tribunal, these acts were ex facie independent statutory violations and acts of oppression and mismanagement, and not merely contractual consequences of termination under Clause 9.3 of the Employment Agreement.

The Tribunal also rejected the estoppel argument founded on Respondent No. 1 having earlier invoked arbitration. Relying on the principle that estoppel cannot operate against a statute, it held that the special statutory jurisdiction of the Tribunal under Sections 241-242 of the Companies Act, 2013, cannot be waived or elected away by invoking a contractual arbitration clause. It also noted that both the company petition and the Section 11 petition were filed on the same date, ruling out any prior conscious election.

The Tribunal held that many of the reliefs claimed related to rights in rem affecting the corporate structure, governance, and ownership of the company as a whole, and therefore were not arbitrable. It reiterated that such matters are reserved for adjudication by public fora, and further held that Sections 241-242 read with Section 430 of the Companies Act reflect legislative intent that oppression and mismanagement disputes of this nature are to be adjudicated exclusively by the Tribunal.

The Tribunal also reiterated that composite causes involving in rem and in personam reliefs cannot be severed, especially where not all parties are bound by the arbitration agreement, including Respondent No. 3. It additionally found direct support in the NCLAT decision in Indus Motor for the proposition that reliefs under Section 242 of the Companies Act, 2013, are not amenable to arbitration and bifurcation would frustrate the process and risk conflicting judgments.