

CS 557/22
ANKUR JAIN
Vs.
GAURAV SHARMA

08.05.2025

At 4:00 p.m.

Present : None.

a) By way of this order, I shall dispose of the application u/O VII Rule 10 CPC filed by the defendant no.1.

b) The present suit is filed by plaintiff for recovery of Rs.7,54,500/- along-with interest stating that plaintiff had invested a sum of Rs.10,00,000/- in Palindrome Mobilabs Pvt. Ltd. and purchased 300 equity shares of said Company. However, thereafter, due to some differences, plaintiff took a decision to exit from PMPL and consequently a Share Purchase Agreement was executed between plaintiff and defendants whereby defendants agreed to purchase said 300 equity shares in PMPL from the plaintiff and to return Rs.10,00,000/- to the plaintiff.

c) The defendant no.1 has filed the aforesaid application stating that since the dispute has arisen from the share purchase agreement dated 19.11.2018, this Court has no jurisdiction to try the present suit as nature of the suit is commercial in terms of Section 2 (c) (xii) of Commercial Courts Act, 2015 (hereinafter referred as 'Act, 2015'). It is further stated that this Court has no territorial jurisdiction to entertain the

present suit. Third objection as raised by the defendant no.1 is that the amount which is to be recovered in the present suit is Rs.7,54,000/- is much higher than the specified value i.e. Rs.3,00,000/-.

d) Reply to the said application filed by the plaintiff stating that U/s 2 (c) of the Act 2015, only those disputes which have arisen from shareholder agreements are required to be tried before the Commercial Courts, however, in this case, dispute between the parties pertains to a share purchase agreement, therefore it cannot be said to be dispute of commercial nature.

e) I have heard Ld. Counsels for plaintiff as well as defendant no.1.

f) It is argued by Ld. Counsel for defendant no.1 that share purchase agreement dated 19.11.2018 speaks about rights and obligations of parties, therefore it should be construed as shareholder agreement. Ld. Counsel for defendant no.1 relied upon the judgment passed by the Hon'ble High Court of Delhi in case titled as '*Ashutosh Razdan Vs. NETCOM Softech Private Limited & Ors.*' decided on 01.05.2023.

g) On the other hand, Ld. Counsel for plaintiff argued that only those agreement wherein shareholder of a company agrees on the management of the company can only be termed as shareholder agreement, therefore share purchase agreement dated 19.11.2018 cannot be construed as shareholder agreement. Ld. Counsel for plaintiff relied upon the order dated 30.10.2018

passed by the Hon'ble High Court of Delhi in case titled as ***'Rachit Malhotra Vs. ONE97 Communications Limited'***.

h) The Hon'ble Supreme Court in ***"Vodafone International Holdings B.V. Vs. Union of India"*** reported (2012) 6 SCC 613 has defined shareholder agreement as under:-

"62. Shareholders' Agreement (for short SHA) is essentially a contract between some or all other shareholders in a company, the purpose of which is to confer rights and impose obligations over and above those provided by the Company Law. SHA is a private contract between the shareholders compared to Articles of Association of the Company, which is a public document. Being a private document it binds parties thereof and not the other remaining shareholders in the company. Advantage of SHA is that it gives greater flexibility, unlike Articles of Association. It also makes provisions for resolution of any dispute between the shareholders and also how the future capital contributions have to be made. Provisions of the SHA may also go contrary to the provisions of the Articles of Association, in that event, naturally provisions of the Articles of Association would govern and not the provisions made in the SHA".

i) In ***'Rachit Malhotra Vs. ONE97 Communications Limited'*** the Hon'ble Delhi High Court held that a shareholder agreement denotes an agreement whereunder all shareholders or a shareholder of the company agree on the management of the company.

j) I have gone through the contents of share purchase agreement dated 19.11.2018. The said agreement has been executed between Gaurav Sharma (defendant no.1) and Rajesh Sharma (defendant no.2 as buyers) and Ankur Jain (plaintiff as

seller) in respect of 300 equity shares. A bare reading of the said agreement would reflect that it nowhere speaks about the management of Company-PMPL. The said agreement has not been signed by the plaintiff and defendants in capacity of shareholder of PMPL.

k) The arguments of Ld. Counsel for defendant no.1 that since said agreement set out the rights and obligations of parties, it should be construed as a shareholder agreement do not hold water as setting out of rights and obligation of parties in relation to the purchase of shares is different from rights and obligations of shareholders in respect of management of a company. Otherwise, also to give a meaningful interpretation, a document has to be read as a whole and a comprehensive reading of said agreement dated 19.11.2018 would show that it was executed between plaintiff and defendants for sale & purchase of 300 equity shares in PMPL. Even the chain of events and background in which said agreement was executed would indicate that said agreement was limited to the sale & purchase of shares.

l) So far as second contention of defendant no.1 in respect of territorial jurisdiction is concerned, it can be noted that said share purchase agreement was executed at Delhi and Clause no.7 of said agreement says that Delhi Courts shall have jurisdiction to try the matter with respect of this agreement. In my opinion, the issue of territorial jurisdiction in this case is a issue of fact and law and cannot be decided at this stage.

m) So far as third contention of defendant no.1 in respect of specified value is concerned, Section 2 (I) of the Act 2015 provides that specified value in relation to a commercial dispute shall mean a value of subject-matter in respect of a suit as determined in accordance with Section 12 (which shall not be less than Rs.3,00,000/-) or such higher value has been notified by the Central Government. Perusal of said section would show that only minimum limit has been given in the said section, therefore present suit for recovery of Rs.7,54,500/- cannot be said beyond the pecuniary jurisdiction of this Court.

n) In view thereof, the application u/O VII Rule 10 CPC filed by the defendant no.1 is dismissed subject to cost of Rs.10,000/- (Rs.5,000/- to be deposited in DLSA, East, KKD and Rs.5,000/- to be paid to the plaintiff on or before the next date of hearing).

Put up for further proceedings on **06.08.2025**.

(Hem Singh)
District Judge-01
(East)/KKD/Delhi/08.05.2025