



Class Action under Section 245 of the Companies Act, 2013 A Critical Analysis of Ankit Jain & Ors. v. Jindal Poly Films Limited & Ors.¹ (NCLT, 2026)

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INTRODUCTION

The introduction of Section 245 of the Companies Act, 2013 marked a significant development in Indian corporate jurisprudence by providing minority shareholders and depositors with a statutory right to initiate class action proceedings against acts that are prejudicial to their interests or to the company itself. The provision represents a deliberate legislative shift towards strengthening corporate governance, improving accountability of management, and enabling collective shareholder remedies in circumstances where individual litigation may be impractical or ineffective.

Unlike traditional remedies under company law which were largely confined to oppression and mismanagement proceedings, Section 245 introduces a representative mechanism allowing a class of shareholders or depositors to collectively challenge conduct of the company that is prejudicial in nature. The provision is intended to function as a protective and remedial mechanism, ensuring that corporate misconduct affecting a large body of stakeholders does not escape scrutiny merely because individual shareholders lack the resources to pursue independent legal action.

The order passed by the National Company Law Tribunal (NCLT), Principal Bench, New Delhi in *Ankit Jain & Ors. v. Jindal Poly Films Limited & Ors.*, delivered on 05.02.2026, is an important judicial pronouncement examining the scope, maintainability, and interpretation of Section 245 of the Companies Act, 2013. The Tribunal was required to determine whether a petition filed by minority shareholders alleging significant financial irregularities and undervalued transactions could be maintained as a class action under Section 245. The decision addresses critical questions

¹ CP No. 58/245/PB/2024



relating to the nature of class action proceedings, their distinction from derivative actions and oppression remedies, and the procedural threshold required for admission of such petitions.

BACKGROUND OF THE CASE

The petition in the present case was filed by minority shareholders collectively holding approximately 4.99% of the share capital of Jindal Poly Films Limited, invoking the provisions of Section 245 of the Companies Act, 2013. The petitioners alleged that the affairs of the company were being conducted in a manner prejudicial to the interests of the company and its public shareholders, particularly through a series of transactions involving promoter-controlled entities.

The factual background recorded by the Tribunal indicates that between Financial Years 2013–2017, the company made substantial investments in Jindal Powertech Limited through financial instruments such as Optionally Convertible Preference Shares (OCPS) and Redeemable Preference Shares (RPS). These investments cumulatively amounted to approximately INR 703.79 crores. In addition to these investments, the company also advanced loans to Jindal Thermal Power Limited, another related entity within the promoter group structure.

Over time, the financial condition of these related entities allegedly deteriorated, leading to the erosion of the value of the investments made by the company. The petitioners further alleged that certain transactions involving promoter-controlled entities were structured in a manner that enabled those entities to acquire valuable assets at grossly undervalued prices. One such transaction involved the sale of shares of Jindal Thermal to a promoter-related entity at a nominal value of INR 1 per share, despite the existence of substantial underlying assets and investments.

The petitioners relied upon an independent report prepared by FTI Consulting, a globally reputed advisory firm, which examined the series of transactions undertaken by the company. According to the petitioners, the report concluded that these transactions resulted



in losses exceeding INR 2500 crores to the company and its shareholders. Based on these allegations, the petitioners sought several reliefs including reversal of the impugned transactions, declaration of certain transactions as null and void, and compensation for the losses allegedly caused to the company and its minority shareholders.

LEGAL ISSUES BEFORE THE TRIBUNAL

The principal issue before the Tribunal was whether the petition filed by the minority shareholders was maintainable under Section 245 of the Companies Act, 2013. The respondents raised preliminary objections contending that the petition was not maintainable as a class action and that the petitioners had invoked an incorrect statutory provision.

According to the respondents, the reliefs sought in the petition were primarily intended to benefit the company rather than the shareholders individually. Therefore, the petition was essentially in the nature of a derivative action and should have been pursued through proceedings relating to oppression and mismanagement under Sections 241 and 242 of the Companies Act, 2013. The respondents also contended that the transactions challenged in the petition were past and concluded transactions, and that Section 245 was intended primarily as a preventive mechanism to restrain ongoing or prospective acts.

These objections raised important questions regarding the scope of Section 245 and whether the provision could be invoked in respect of transactions that had already been completed.

Arguments of the Respondents

The respondents argued that the petition was fundamentally misconceived and that the petitioners had attempted to circumvent the statutory requirements applicable to oppression and mismanagement proceedings by invoking Section 245. It was contended that the reliefs sought—particularly the claim for compensation for losses suffered by the company—indicated that



the petition was essentially a derivative action, where shareholders seek to enforce the rights of the company against directors or controlling shareholders.

In support of this argument, reliance was placed on comparative jurisprudence, including the decision of the Delaware Supreme Court in *Tooley v. Donaldson, Lufkin & Jenrette*², which laid down the test for distinguishing between direct and derivative actions. According to the respondents, where the alleged harm is suffered by the company and the remedy would accrue to the company, the action must necessarily be treated as derivative in nature.

The respondents also argued that Section 245 should be interpreted as a preventive provision, and that concluded transactions could not be reopened under the class action framework. Consequently, the petition, according to them, was liable to be dismissed at the threshold stage.

ARGUMENTS OF THE PETITIONERS

The petitioners strongly opposed these objections and argued that Section 245 of the Companies Act confers a broad and flexible statutory remedy. They contended that the provision does not impose any restriction limiting its application only to present or future transactions. Rather, the statutory language permits examination of past, concluded, continuing, and present actions of the company, provided the statutory conditions for initiating class action proceedings are satisfied.

The petitioners submitted that the relevant consideration for initiating proceedings under Section 245 is the date of knowledge of the prejudicial conduct, and not merely the date on which the impugned transaction was undertaken. Accordingly, the mere fact that certain transactions had been completed in the past could not render the petition non-maintainable.

² 845 A.2d 1031



It was further argued that a conjoint reading of Section 245 demonstrates that the provision is not restrictive in nature. While present and future acts may form the basis of a class action petition, the statute equally contemplates compensation, remedial orders, and corrective measures in respect of past transactions where such transactions have caused prejudice to the company or its members or depositors.

The petitioners also emphasized that the statute expressly allows proceedings to be initiated against third parties such as auditors, experts, advisors, or consultants for misleading statements or wrongful conduct in relation to the affairs of the company. This statutory recognition of liability for such actors clearly indicates that past conduct affecting the company's affairs remains amenable to scrutiny under Section 245 and does not acquire immunity merely by passage of time.

Another important argument advanced by the petitioners was that the remedy under Section 245 is distinct and independent from the remedies available under Sections 241–242. While proceedings relating to oppression and mismanagement address broader issues concerning corporate control and governance, Section 245 introduces a separate class action mechanism enabling shareholders or depositors to collectively seek relief where the affairs of the company are conducted in a manner prejudicial to the interests of the company or its stakeholders.

TRIBUNAL'S ANALYSIS

While considering the preliminary objections raised by the respondents, the Tribunal examined the statutory scheme governing class action proceedings. The Tribunal observed that the primary condition precedent for invoking Section 245 is the formation of a bona fide prima facie opinion by the applicants that the affairs of the company are being conducted in a manner prejudicial to the interests of the company or its members.

Such an opinion, the Tribunal noted, is relative to the category invoking the provision—namely shareholders, depositors, or any



class thereof—and need only be sufficient to justify admission of the petition at the threshold stage. The Tribunal emphasized that at the stage of admission, it is not necessary to conduct a detailed examination of the merits of the allegations.

The Tribunal further noted that the petitioners had clearly satisfied the statutory threshold requirement prescribed under Section 245(3) read with Rule 84 of the NCLT Rules, 2016, as they collectively held 4.99% of the issued share capital of the company, which exceeded the statutory minimum required for initiating class action proceedings.

The Tribunal also recognized that Section 245 confers a wide residuary jurisdiction upon the Tribunal under Section 245(1)(h), enabling it to grant any other remedy that it may deem fit in the circumstances of the case. The amplitude of this provision allows the Tribunal to address a wide range of corporate misconduct affecting the affairs of the company.

KEY FINDINGS OF THE TRIBUNAL

The Tribunal rejected the respondents' contention that Section 245 is confined only to preventive relief. It observed that the statute expressly permits claims for damages, compensation, and other suitable actions, which necessarily require examination of past conduct and concluded transactions.

The Tribunal further emphasized that Section 245 creates a statutory right in two distinct contingencies: where the affairs of the company are conducted in a manner prejudicial to the interests of the company itself, or where such conduct prejudices the interests of its members or depositors. This dual protection reflects the legislative intent underlying the provision and underscores its representative and protective character.

Importantly, the Tribunal observed that the mere existence of an alternative remedy under Sections 241–242 cannot be treated as a bar to invoking Section 245. The remedies operate in different fields



and address different forms of corporate misconduct. Consequently, the availability of one remedy cannot be used to defeat or discredit the exercise of another statutory right.

The Tribunal also noted that the class action mechanism under Section 245 is specifically designed to address situations involving a large or indeterminate number of shareholders or depositors, where joinder of all affected persons would be impracticable. By enabling representative proceedings, the provision prevents multiplicity of litigation and avoids the possibility of inconsistent or conflicting judicial outcomes.

SIGNIFICANCE OF THE DECISION

The decision of the NCLT in this case is significant because it clarifies the scope and maintainability of class action proceedings under Section 245 of the Companies Act, 2013. The ruling confirms that once the statutory threshold requirement is satisfied and a prima facie opinion regarding prejudicial conduct is established, the petition should ordinarily proceed to adjudication rather than being dismissed at the preliminary stage.

The judgment also reinforces the principle that Section 245 is a beneficial and remedial provision, enacted to protect the interests of shareholders and depositors in the context of the evolving Indian corporate landscape. Consequently, the provision must be interpreted purposively and liberally, rather than narrowly or restrictively.

The decision further contributes to the developing jurisprudence on shareholder remedies by clarifying that class action proceedings under Section 245 operate independently from oppression and mismanagement remedies under Sections 241–242.

CONCLUSION

The order of the NCLT in *Ankit Jain & Ors. v. Jindal Poly Films Limited & Ors.* represents an important development in the



interpretation of class action provisions under the Companies Act, 2013. By permitting the petition to proceed, the Tribunal affirmed that minority shareholders possess a substantive statutory right to collectively challenge corporate conduct that may be prejudicial to the interests of the company or its stakeholders.

The decision underscores the role of Section 245 as a powerful mechanism for promoting corporate accountability and safeguarding investor interests. As class action litigation continues to evolve in India, this judgment is likely to serve as an important precedent guiding the interpretation and application of shareholder remedies under the Companies Act, 2013.
