

2022 LiveLaw (SC) 424

**IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION**

DINESH MAHESHWARI; ANIRUDDHA BOSE, JJ.

CIVIL APPEAL NO. 2957 OF 2022; April 25, 2022

SECURITIES AND EXCHANGE BOARD OF INDIA vs. R.T. AGRO PRIVATE LIMITED & ORS.

Companies Act, 2013; Section 188 - Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; Regulation 23 - Related parties abstained from voting in special resolution which approved a related party transaction - They voted in Extraordinary GM convened for rescinding the said resolution - SAT held the bar of voting as per Section 188 of the Companies Act, 2013 on related parties operated only at the time of entering into a contract or arrangement, i.e., when the resolution dated 15.07.2014 was passed; and therein the said related parties indeed abstained from voting. It found no fault in the said parties voting in the recalling/rescinding of the said resolution - The view, as taken by the Appellate Tribunal, in the given set of facts and circumstances of the present case, appears to be a plausible view of the matter.

(Arising out of the impugned Final Order dated 21.01.2022 passed by the Hon'ble Securities Appellate Tribunal, Mumbai in Appeal No. 33 of 2020)

For Appellant(s) Mr. S. Niranjan Reddy, Sr. Adv. Mr. Abhishek Baid, Adv. Mr. Anup Jain, Adv. Mr. Ashok Kr. Jain, Adv. Mr. Praneet Das, Adv. M/S Expletus Legal, AOR

For Respondent(s) Mr. Pesimodi, Sr. Adv. Mr. Lakshmeesh S. Kamath, AOR Mr. Joby Mathew, Adv. Mr. Neville Lashkari, Adv. Ms. Samriti Ahuja, Adv.

ORDER

Having heard learned counsel for the appellant-Securities and Exchange Board of India ('SEBI') and having perused the material placed on record, we find absolutely no reason to entertain this appeal.

The company R. T. Exports Limited proposed to enter into a transaction with one Neelkanth Realtors Private Limited for purchase of 40,000 sq. ft. of residential space. This proposal was treated as a related party transaction and was required to be approved by the shareholders of the Company. Accordingly, a special resolution was approved by R. T. Exports Limited on 15.07.2014. In terms of Section 188 of the Companies Act, 2013, the related parties abstained from voting on this special resolution. Thereafter, an Extra-Ordinary General Meeting was convened on 16.12.2016 for rescinding the resolution dated 15.07.2014 in which, the related parties also voted.

However, the appellant-SEBI took up the matter on a complaint and issued notice alleging violation of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Adjudicating Officer, ultimately, proceeded to penalise the present respondents with a cumulative sum of Rs. 35 lakhs for the alleged violation of the said Regulation 23.

The Securities Appellate Tribunal has not approved this order passed by the Adjudicating Officer and has allowed the appeal filed by the present respondents while, *inter alia*, holding that the bar of voting as per Section 188 of the Companies Act, 2013 on related parties operated only at the time of entering into a contract or arrangement, i.e., when the resolution dated 15.07.2014 was passed; and therein the said related parties indeed abstained from voting. The Appellate Tribunal found no fault in the said parties voting in the recalling/rescinding of the said resolution.

The view, as taken by the Appellate Tribunal, in the given set of facts and circumstances of the present case, appears to be a plausible view of the matter. In fact, nothing of ill-intent on the part of the respondents has been established in the present case. The hyper-technical stance of the appellant could have only been, and has rightly been, disapproved on the given set of facts and circumstances.

The appeal fails and is, therefore, dismissed.

All pending applications stand disposed of.

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