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Inside the Legal Battle of Mahima Datla Vs. Renuka Datla and Ors: An In-Depth Synopsis of the Verdict

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Synopsis on the Verdict of Mahima Datla Vs. Renuka Datla and Ors.

Parties involved:

Sl. No.	Name of the Parties	Particulars
1.	Biological E. Limited ("Company")	Company in the business of pharmaceutical products and Vaccines
2.	G.A. Narasimha Raju	Promoter of the Company and father of Ms. Renuka Datla
3.	Late Vijay Kumar Datla	Chairman of the Company
4.	Renuka Datla	Wife of Mr. Vijay
5.	Mahima Datla	Daughter of Mr. Vijay Kumar Datla and Ms. Renuka Datla
6.	Purnima Mantena	Daughter of Mr. Vijay Kumar Datla and Ms. Renuka Datla
7.	Indira Pusapati	Daughter of Mr. Vijay Kumar Datla and Ms. Renuka Datla
8.	G.V. Rao	Director of the Company
9.	Poornima & Indu Trust	Trust
10.	Mahima Trust	Trust

Facts of the Case: The case in question involves a dispute over the ownership of shares at Biological E. Ltd., a company founded by G.A. Narasimha in 1953 and validity of appointment of directors of the Company. The dispute centers around Dr. Renuka Datla, her three daughters, and the late Dr. Vijay Kumar Datla, who was the Chairman and Managing Director of the company.

When Dr. Vijay Kumar Datla passed away in 2013, his shares were transferred to his daughter Mahima Datla, in accordance with his will. However, Dr. Renuka Datla contested the transfer, alleging that the board meetings held to effect the transfer were illegal and aimed at preventing her from challenging the move.

The case has been the subject of various legal proceedings, including a suit and a company petition. The dispute has been a contentious one, with each party fighting for their interests in the company.

In the end, the case raises important questions about corporate governance, board meetings, and the rights of shareholders. It highlights the importance of transparency and fairness in corporate decision-making, and the need for clear and enforceable laws to regulate the conduct of companies and their directors.

Summary on the Final Verdict of Supreme Court in Civil Appeal Nos. 2776 to 2778 of 2022: The Supreme Court of India allowed the appeal filed by Mahima Datla and Ors. challenging the order passed by the High Court of Judicature at Madras and contended the following vide order dated 6th April 2022:

- **Resignation of Director:** Mr. G.V. Rao, one of the directors of the company, submitted his resignation letter, which was later withdrawn in a board meeting. Dr. Renuka Datla did not object to the withdrawal and Mr. Rao continued to participate and vote in subsequent meetings. The Supreme Court examined whether the issue of the director's resignation had lapsed due to Dr. Renuka Datla's lack of objection.
- **No Prejudice to Public Interest:** The court found no evidence that the company's affairs were being conducted in a manner prejudicial to the public interest or any member.
- **Compliance with Memorandum and Articles:** The company was found to be conducting business in accordance with its Memorandum and Articles of Association and had even performed well during the COVID-19 pandemic.
- **Impact of Announcement Letter:** The court criticized the High Court for ignoring the impact of an announcement letter that signified Renuka Datla's consent to the appointments made to the board of the company.
- **Order of the Company Law Board:** The court set aside a previous order of the High Court and restored the order of the Company Law Board with modifications. The apex court also contended that High Court erred by ignoring the impact of the announcement letter signifying the consent of the Renuka Datla to the appointments made to the board of the Company.
- **Reliance on Duomatic Principle:** The apex court relying on the duomatic principle asserted that the thrust of the Duomatic Principle is that strict adherence to a statutory requirement may be dispensed with if it is demonstrated otherwise on facts, if the same is consented by all members. In this case at hand, there is overwhelming evidence to show that Renuka Datla had accepted G.V. Rao back into the Board and her conduct clearly shows that the resignation was clearly not accepted. Therefore, G.V. Rao never ceased to be a director of the company in view of the acquiescence by Renuka Datla, and he had withdrawn his resignation prior to its acceptance.

Abstract of the matter before the High Court C.A. No. 14 of 2016

Appellant: Dr. Renuka Datla and Others

Respondent: Biological E Limited others

Facts Contended in the Appeal: Aggrieved by the Order dated 30th May 2016 of the Hon'ble Company Law Board, the appellant in the instant case, preferred an appeal before the High Court of Judicature at Andhra Pradesh challenging the validity of the Order dated 30th May 2016

Date of Order: 17th November 2017

Order of High Court: The High Court, by impugned order, while allowing the appeal held that acts of respondents were oppressive, and that G.V. Rao had no legal authority to convene board meetings. As a result, all meetings of the Board of Directors and resolutions passed there were declared null and void, as were the resolutions passed at the Annual General Meeting of the company and the forms filed in connection with those resolutions. The respondents were removed from their positions as directors, and all form 32 filings related to their appointments were declared null and void. Additionally, the transmission of equity shares to Mahima Datla was ruled to be illegal and null and void.

Abstract of the matter before Company Law Tribunal in C.P. No. 36 of 2014

Petitioner: Dr. Renuka Datla and Others

Respondent: Biological E. Limited and Others

Facts Contended: The case concerns dispute over the appointment of a director to the board of the Company. The petitioner alleges that the appointment was not made in compliance with the Companies Act, 1956 and the Articles of Association of the company, and that it was against the interests of the company. The respondents argue that the appointment was made lawfully and was in the best interests of the company. The case also involves grievances related to the transmission of shares in favour of the respondents.

Date of Order: 30th May 2016

Order of Company Law Tribunal: In a legal battle over the appointment of directors to the board of the Company, the Company Law Board (CLB) examined the evidence and found that the appointment of the respondents was valid. The petitioner had previously approved the appointment of her daughters in an announcement letter addressed to all employees of the company, and the CLB observed that decisions taken in board meetings were ratified by the general body. The CLB also found no evidence of mismanagement or any act of oppression and mismanagement, and therefore, the situation did not warrant the winding up of the company. Ultimately, the CLB's decision affirmed the appointment of the respondents as directors and rejected the petitioner's claims.

Concluding Remark

The duomatic principle has been derived from English common law and the Apex court while deciding on the instant matter has relied on the duomatic principle to conclude the proceedings.

The Duomatic principle permits companies to forgo procedural requirements by obtaining unanimous consent from all shareholders for a decision. While not statutory, this principle is upheld through judicial

interpretation. It holds ultimate beneficial owners responsible for lawful and honest transactions. Decisions from highest level of judiciary clearly reaffirms this principle.

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