

IN BRIEF

WILL CLASS ACTION SUITS UNDER THE COMPANIES ACT FINALLY TAKE-OFF IN INDIA? THE ADMISSION OF JINDAL POLY FILMS CASE



Introduction

Class action suits have been widely accepted in foreign jurisdictions as an efficient means of addressing mass harm and ensuring collective accountability against large corporate wrongdoing. In India, however, the evolution of class action lawsuits as a favoured action, particularly for shareholder disputes, has been largely absent. Such actions remained cautiously regulated due to concerns over misuse, procedural hurdles, and the lack of an established collective litigation culture, resulting in their limited practical use despite statutory recognition.

The recent admission of class action suit in *Ankit Jain & Ors. v. Jindal Poly Films Ltd. & Ors.*¹ (Jindal Poly Films case) has again sparked the debate over the efficacy and prevalence of class action suits in India for shareholder disputes.

This article explores how class action suits have been recognised under Indian company law and if this case may finally mark the beginning of a move towards a favoured remedy.

Statutory Scheme, Scope and Practical Operation

While the Code of Civil Procedure, 1908 (CPC) contained the concept of class action suits, commonly known as representative suits, in India, under the Companies Act, 1956, shareholder remedies were largely restricted to oppression and mismanagement proceedings under Sections 397–398. The need to have a statutory change to introduce class action suits in the Companies Act, 1956 was debated for a long time and the J.J. Irani 2005 Report on Company Law² expressed the need for a recognition of these principles in law. The reform of company law was still in the works and only subsequently gained more traction in view of the fallout of the Satyam Computer Services Ltd.–Maytas scandal. The inability of dispersed investors to pursue coordinated claims in India due to a lack of statutory recognition underscored the urgent need for a statutory class action remedy.

The Companies Act, 2013 (Companies Act) introduced Section 245, a provision specifically designed to allow a defined group of members or depositors to approach the National Company Law Tribunal (NCLT) through a single proceeding, if they are of the opinion that the management or conduct of the affairs of the company are being conducted in a manner prejudicial to the interests of the company or its members or depositors. While oppression and mismanagement provisions are centred on protecting individual or minority interests within a company's internal structure, Section 245 envisages a process of safeguarding the interest of depositors/ shareholders in relation to the conduct of affairs of the company.

Section 245 allows the members or depositors to claim damages or compensation or demand any other suitable action from or against the company or its directors, advisors, and other professionals for any fraudulent, unlawful or wrongful act or omission or conduct or any likely act or omission or conduct on its or their part. The claim can even be made on auditors for any improper or misleading statement of particulars made in audit report or for any fraudulent, unlawful or wrongful act or conduct. By explicitly providing for an ability to seek such damages, the provision strengthens financial accountability.

At the same time, the provision incorporates eligibility thresholds to ensure that only genuine and representative claims are brought before the Tribunal. In companies having a share capital, applications must be filed by a minimum number of members (100 members) or by shareholders holding a prescribed percentage of the issued share capital, subject to the condition that the applicant(s) have paid all

¹ CP No. 58/245/PB/2024.

² J.J. Irani Report on Company Law, Part 3-Chapter VI-Minority Interest Para 10.2.

calls and other sums due on their shares. In the case of listed companies, this threshold is set at 2% of the issued share capital and 5% in case of unlisted companies³.

Where the company does not have share capital, the application must be filed by not less than one-fifth of the total number of members. These requirements act as a filtering mechanism to prevent frivolous or vexatious litigation, while still preserving access to justice for the affected shareholders. When compared with the more stringent thresholds under Sections 241–244, which focus on course-correction in cases of oppression or mismanagement, Section 245 offers relatively greater accessibility.

Apart from the thresholds prescribed for the remedy to be availed under Section 245, the NCLT is authorised to exercise its power in examining the bona fides of the applicants and the suitability of the matter at the admission stage, and, once admitted, issuing public notice to the affected class. Any order passed is binding on the company and all its members, depositors and the auditor including an audit firm or expert or consultant or advisor or any other person associated with the company, subject to appeal.

It is pertinent to note that the Companies Act also enables securities class actions under Section 37 read with Sections 34–36 for misleading prospectus disclosures, and Section 53N(4) of the Competition Act, 2002 permits competition class actions with the leave of the National Company Law Appellate Tribunal (NCLAT).

These statutory remedies, however, especially Section 245 of Companies Act has remained underused for several years due to procedural hurdles and limited awareness. There have been certain recent tribunal decisions which have begun to clarify its scope and application, marking a shift towards the gradual emergence of an effective class action regime under Indian company law.

Recent developments in the context of shareholder actions

The *Cyrus Investments Private Limited & Anr. v. Tata Sons Limited & Ors*⁴, established the framework for examination of shareholder remedies and class actions, where the NCLAT held that courts must first examine whether the statutory thresholds under Sections 241 or 245 of the Companies Act are satisfied before assessing allegations of prejudice to members or depositors. It further clarified that “issued share capital” refers to issued and subscribed share capital, including both equity and preference shares.

The recently admitted Jindal Poly Films case is garnering attention, since it is among the very few Section 245 class action petitions in India that has not only been filed by the minority shareholders of a listed company but has also survived preliminary scrutiny and been formally admitted by the NCLT. Since the introduction of Section 245, most class action attempts have failed at the threshold stage largely due to stringent requirements or a lack of being able to demonstrate the applicability of Section 245.

Jindal Poly Films Case: A Defining Moment for Section 245

In this class action suit, three shareholders holding 4.99% of the paid-up share capital filed a class action under Section 245 of the Companies Act before the NCLT, challenging a series of transactions allegedly prejudicial to the company. The petition questioned the sale of Optionally Convertible Preference Shares (OCPS) (₹2268.03 crore) and Redeemable Preference Shares (RPS) (₹250.42 crore), the advancement of a loan to Jindal Thermal amounting to ₹127.96 crore, and the alleged undervalued sale of the equity shares of Jindal Powertech, contending that these resulted in substantial losses to the company. The petitioners sought to declare the transactions void and claim compensation, while the company opposed the petition on the ground that it was, in substance, a derivative action improperly framed as a class action.

The petitioners approached the NCLT, Principal Bench, New Delhi, seeking declarations that the impugned transactions were void, along with directions for restitution, compensation, and accountability of the promoters and managerial personnel. The respondents raised preliminary objections, contending that the petition was not maintainable, that the claims were in the nature of derivative actions filed under Section 245 to circumvent the process and thresholds under Sections 241-242 of the Companies Act, and that Section 245 could not be applied in respect of past transactions.

Admission of the matter by the NCLT

The NCLT, issued a detailed order dated February 05, 2026, rejecting the respondent’s objections and admitting the class action petition. The NCLT held that the petitioners satisfied the statutory threshold applicable to listed companies under Section 245 of the Companies Act. More importantly, the NCLT clarified that Section 245 is not limited to preventive or prospective relief. The provision expressly enables claims for damages, compensation and restitution arising from past acts, provided such acts are prejudicial to the interests of the company or its members. The NCLT, while refraining from giving an opinion on this issue at present so as not to pre-judge the legal argument on the factual aspects, admitted the petition observing as under:

“Section 245 is a benevolent legislation to shareholders, depositors against the company and to the company for various reliefs stated therein and for other relief(s) past, present and future. This should be seen in contradiction to a case filed by a third party or a public authority or a person who has no direct cause or relation with the company. The provisions of Section 245 enable Petitioners, stockholders to initiate proceedings for the benefit of the company also. Merely because there is another option available under Section 241-242 that cannot discredit a case under 245 if the parameters for initiating the proceedings under Section 245 is met by the Petitioners. All that is required is shareholding of 2% of total share capital as per Rule 84(3)(ii)(b) of the NCLT Rules 2016 and a justifiable prima facie opinion which we observe there is. The Respondents are at liberty to refute every allegation on merits⁵....This Court is satisfied that the petitioners meet the threshold provided under Rule 84 of the NCLT Rules 2016 and the issues to be adjudicated fall within the contours of Section 245.”⁶

³ Rule 84 of National Company Law Tribunal Rules, 2016.

⁴ 2017 SCC OnLine NCLAT 261.

⁵ Para 41, Page 53 NCLT Order Dated February 05, 2026 in IA(CA)-132/2024 IN CP No.

58/245/PB/2024.

⁶ Para 46, Page 58 *ibid*.

The NCLT also, in this case, examining the arguments made by the respondents that this is a derivative action underlined the distinction between Section 245 and derivative action under American jurisprudence. It observed that:

“The comparison with the American Law may not be appropriate because the Indian Parliament was quite conscious of the fact that the class action can be initiated by depositors, members of the company to enforce certain action against the company itself. The law framed under Indian Companies Act 2013 carves a distinct right to the shareholders to enforce certain rights by way of class action. The rights given under section 245 in Companies Act, 2013 has a larger scope on specific intent than what could be considered as class action in US jurisdiction⁷.....Given the specific and express language of Section 245, which is tailor-made for Indian investors, there is no reason to be influenced by US Jurisprudence. Section 245 provides only for a class action that is capable of encompassing some traits of derivative action as seen in the US.”⁸

The NCLT further directed issuance of public notice to all shareholders, thereby formally activating the collective remedy mechanism.

What Makes the Jindal Poly Films Case Noteworthy

As of February 2026, the class action petition remains pending adjudication before the NCLT. The respondents have filed an appeal before the NCLAT challenging the admission order, particularly the Tribunal’s interpretation of Section 245 and the said appeal is also presently pending adjudication before the NCLAT.

The matter is closely watched by the corporate and legal community, as it has the potential to reshape minority shareholder protection in India. The case, if successfully pursued by the petitioners, could serve as a crucial landmark enabling the use of Section 245 as the accountability tool intended by the legislature, rather than a mere academic provision within Indian company law.

What truly sets the Jindal Poly Films case apart is how the NCLT has approached it at the very threshold. The allegations in this case extend to undervalued transactions, write-offs, and preferential instruments involving promoter-controlled entities.

Such transactions have been usually pursued under oppression and mismanagement proceedings or invocation of securities laws as in the case of *Manu Rishi Gupta v. ICICI Securities Limited*⁹, which arose out of allegations of undervaluation in the delisting of ICICI Securities and its subsequent merger with its parent entity. The NCLAT dismissed the said proceedings on the grounds that the appellant minority shareholder failed to demonstrate any illegality in either the process followed for sanctioning of the merger scheme or in the terms of the scheme itself and that on account of the action initiated by the appellant, who holds a miniscule 0.002% shares, the implementation of the scheme was being delayed and the majority shareholders being deprived of the benefits of the merger scheme. The NCLAT held that this militated against the basic principle of shareholder’s democracy, which permeates through all corporate actions. Nevertheless, the case was noteworthy due to the involvement of a major banking group as well as the extensive regulatory framework governing both banking and securities markets sectors being involved.

In contrast, the Jindal Poly Films case is an invocation of Section 245 within a classic corporate governance context and with clear economic prejudice to shareholders. As of 2026, only a handful of Section 245 petitions have been reported nationwide, and even fewer have reached the stage of admission against a listed company.

Conclusion

Section 245 of the Companies Act once conceived and introduced as a powerful collective remedy, has for years remained more dormant than active. Procedural barriers, cautious judicial interpretation, and limited shareholder mobilisation have meant that class actions rarely progressed beyond the threshold stage. By admitting the petition, the NCLT has sought to give Section 245 a practical and enforceable meaning. This makes admission of the Jindal Poly Films Case, a benchmark.

Though still dependent on the final outcome and the appeal pending with the NCLAT, it may finally lead to the much-needed shift for the future of class actions in India. The principles articulated in this case may have the potential to strengthen corporate governance and enforcing accountability by collective legal action under Indian company law.

This newsletter has been contributed by:

Nityashjit Kaur, Partner, Vaibhav Tripathi, Senior Associate and Anukriti Prakash, Associate, Dua Associates, Gurugram

For further information contact:

Nityashjit Kaur, Partner, Dua Associates, Gurugram
Email: Nityashjit@duaassociates.com

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⁷ Para 44, Page 55 *ibid*.

⁸ Para 46, Page 58 *ibid*.

⁹ 2025 SCC OnLine NCLAT 502.