



INTRA MOOT COURT COMPETITION, 2024

Organized by:
**MOOT COURT SOCIETY, INDIAN INSTITUTE OF LEGAL STUDIES,
SILIGURI
(March-June Session, 2024)**

SEMI-FINAL AND FINAL ROUND

1. Mr. Raj, Mr. Raman & Ms. Sanjana were three friends at the Jakpur Institute of Technology, Rorhiee, Indiana. A prestigious college in Indiana that is famous for being the *alma mater* of eminent engineers in the country. After passing out from the College in 2017, they decided to start their own venture namely “*Mitra.*” This start-up was aimed to provide an online platform where people from across Indiana will connect and befriend people of their likelihood.
2. At the very outset, they registered this business on 10.04.2019 as per the provision of the Companies Act, 2013 of Indiana under the name of “*Mitra Pvt. Ltd.*” having their corporate office at 3/16 Kakeri Apartment, Shakir Nagar, Besalore, Karikure, Indiana. In this, Mr. Raj was designated to be Chief Executive Officer having 50% of the ownership, Mr. Raman was appointed as Chief Operating Officer having 25% of ownership & Ms. Sanjana was assigned to be Chief Financial Officer having 25% of ownership. They were also the only three directors constituting the Board of Directors of this Company.
3. After a few days of operations, they decided to raise funds from an investor namely Mr. Shahid who offered to provide 50,00,00 in consideration of 10% of the ownership of the

Company. In order to fulfill this, Mr. Raj decided to dilute his share of ownership bringing him down to 40% of the ownership. However, Mr. Raj made an agreement with the other two members that he would draw a salary of 30,000/month as an indemnity of this dilution.

4. They run this business at full pace generating an average revenue of 70,00,000/year. In 2022, a famous TV show “Piranha Aquarium” was launched in India. It provided an audience to newly born start-ups before the famous entrepreneurs of the nation, who are disguised as Piranhas. The format of this show was that the representatives of start-ups/Company would pitch their business before the Piranhas. If Piranhas are interested in the same, they will invest, either individually or collectively, in the business in consideration of some share of ownership in the corporation.
5. All three directors decided to appear before Piranhas and raise funds for future operations. On the date of presentation, one Piranha Mr. Alok Vora, who was the co-founder of a leading software company in the country, was impressed by their business acumen and offered them with 10,00,000 in consideration of 5% of the ownership in the venture. The three directors accepted this offer. In this, Mr. Raj again decided to dilute his share of ownership bringing him down to 35% of the ownership. It was further decided that Mr. Raj would get a salary of 50,000/month, instead of the previous 30,000/month, as an indemnity of this dilution. Therefore, the ownership in the Company is currently as follows:
 - (i) Mr. Raj: 35%
 - (ii) Mr. Raman: 25%
 - (iii) Ms. Sanjana: 25%
 - (iv) Mr. Shahid: 10%
 - (v) Mr. Alok Vora: 5%
6. On 22 March 2022, the Board of Directors unanimously passed a resolution in the Board Meeting appointing Mr. Alok Vora as an independent director of the Company. This was done to gain significant insight from Mr. Vora’s experience in the business ecosystem of

Indiana. However, it was later found that Mr. Alok Vora was siphoning off funds from the Company to his own software Company without authorization.

7. On this revelation, the Board decided to remove Mr. Vora from the post of independent director of the Company. For this, it sends him a Special Notice dated 16.02.2024 demanding an explanation for his conduct and to show cause why he should not be removed from the post of independent director of the “*Mitra Pvt. Ltd.*” Since Mr. Vora was engaged in the general meeting of his software company, he was unable to respond to this Special Notice even after the receipt of the Notice.
8. After no communication from the side of Mr. Vora after the expiry of 15 days of the receiving of Notice, the directors convened a Board Meeting on 10.03.2024 (Sunday) and proposed a resolution for removing Mr. Alok Vora from the post of independent director of the “*Mitra Pvt. Ltd.*”. In this, Mr. Raj & Mr. Raman voted in favour of the resolution while Ms. Sanjana abstained from voting as she was willing to hear the side of Mr. Vora. However, the Board passed the resolution dated 10.03.2024 and Mr. Alok Vora was removed from the post of independent director of “*Mitra Pvt. Ltd.*” from immediate effect.
9. Mr. Alok Vora got aggrieved by this Board Resolution dated 10.03.2024 and determined to challenge this before the appropriate forum. Since there was an arbitration clause in the Article of Association of the Company, he conveyed his intention to invoke the same before the Board of Directors vide Notice dated 17.03.2024. The Board accepted this Notice on 29.03.2024 in a Board Meeting and unanimously passed a resolution for contesting against Mr. Alok Vora in the Arbitration proceedings. Thereafter, both the parties decided to appoint Justice (Retd.) Mr. Shanta Singh as the sole Arbitrator for the fair and just resolution of their dispute. The seat as well as the venue of Arbitration was chosen to be Besalore, Karikure, Indiana.
10. In this Arbitration proceedings, on one hand, Mr. Vora submitted his statement of claim wherein he challenged the Board Resolution dated 10.03.2024 on the ground that it is against the provisions of the Companies Act, 2013 of Indiana as well as the tenets of

natural justice and prayed for his reinstatement as an independent director of the *Mitra Pvt. Ltd.* after quashing the Board Resolution dated 10.03.2024. On the other hand, the Board of Directors of “*Mitra Pvt. Ltd.*” submitted its Statement of Defence wherein it refuted the averments made by Mr. Vora in his statement of claim. It also made a further counterclaim that the sole Arbitrator may pass directions for initiating criminal proceedings against Mr. Alok Vora in a court of law on the charge of siphoning off funds of “*Mitra Pvt. Ltd.*”

11. After going through the documents and hearing learned counsel for both the parties on statement of facts, the sole Arbitrator framed three issues to be considered by him for the proper adjudication of the dispute:
- (i). Whether the claim of Mr. Alok Vora for reinstatement as an independent director of “*Mitra Pvt. Ltd.*” is maintainable before the sole Arbitrator?
 - (ii). Whether the Board of Directors for “*Mitra Pvt. Ltd.*” was legitimate in removing Mr. Alok Vora as an independent director of “*Mitra Pvt. Ltd.*” vide Board Resolution dated 10.03.2024?
 - (iii). Whether the sole Arbitrator may pass directions for initiating criminal proceedings against Mr. Alok Vora in a court of law if the allegation of siphoning off funds was found to be correct?

The matter is posted for the final hearing of the aforementioned issues on

Note: The law of Indiana is *pari materia* with that of the Republic of India.