

# Case Study on the shaadi.com Investor Dispute

Mumbai-based brand 'Shaadi.com' was launched in 1997 by Anupam Mittal and cousins, founders of People Interactive (India) Private Limited ("Company"). Since its introduction into the "matrimonials market", the brand has become a prominent online matchmaking platform with international repute and presence. However, in early 2024, news broke about a messy legal battle between Anupam Mittal (by this time, serving as managing director for over 15 years) and WestBridge Ventures II Holdings, a Mauritius-based private equity fund ("WestBridge"), from whom the Company had secured funding in 2006. Spanning proceedings before courts in India and Singapore, the case is poised to become a landmark moment in the evolution of international arbitration law and intra-corporate disputes. Involving allegations of forced transfer to competitors and an expensive series of litigations, this dispute necessitates that potential investors and investee companies (and their founders) glean an understanding of the key takeaways.



## Background of the Relationship between the Parties

Timeline	Event
1997	People Interactive (India) Private Limited (“Company”) founded and Mumbai-based “sagaai.com” launched by Anupam Mittal and family (“Founders”), offering an online matchmaking platform for Indians around the world.
2001	The platform is renamed to “Shaadi.com” and becomes the Company’s flagship brand <sup>1</sup> .
October 2004	Anupam Mittal appointed as Managing Director of the Company.
February 10, 2006	WestBridge Ventures II Holdings, a Mauritius-based private equity fund (“WestBridge”) invests INR 165,89,00,000 (Rupees One Hundred Sixty Five Crores Eighty Nine Lakhs) in the Company (“Investment”). Company, Founders and WestBridge sign a shareholders’ agreement <sup>2</sup> .
	Parties agree on exit rights for WestBridge, which includes the following options: (i) an Initial Public Offering (IPO) to be completed within 5 years of closing; (ii) sale of WestBridge shares to third parties (excluding significant competitors); (iii) redemption or buyback provisions if the IPO was not completed within 5 years; and (iv) drag-along rights if the Company fails to buyback shares within 180 days of exercising the buyback option (“Drag Along”).  If an IPO was not completed within 5 years, WestBridge could redeem all its shares and if necessary, “drag along” all other shareholders (including Founders) to sell their shares to a third party.
	Parties agree in the SHA that: (i) the SHA is governed by the laws of India; (ii) any disputes arising from the agreement would be resolved through arbitration as per the International Chamber of Commerce Rules (“ICC”) with seat of arbitration in Singapore; and (iii) the enforcement of arbitration award would be subject to Indian laws.
2006	Consequent to the investment, WestBridge holds 44.38% and Anupam Mittal holds 30.26% of the shareholding of the Company.
2011	Contractually agreed period to complete IPO expires.

<sup>1</sup>Article published in the business journal from the Wharton School of the University of Pennsylvania on May 11, 2012, accessible [here](#).

<sup>2</sup>NCLT Order on September 15, 2023, in Anupam Mittal v People Interactive (India) Private Limited and others, available [here](#).

<p><b>2017 - 2019</b></p>	<p>WestBridge seeks to exit the Company by allegedly entering into discussions to sell its shares to a direct competitor, Info Edge India Limited (“Info Edge”), owner of matchmaking platform ‘Jeevansathi’<sup>3</sup>.</p> <p>Tensions between the parties continue, with alleged acts of oppression and mismanagement by WestBridge “facilitated” by other Founder directors<sup>4</sup>, including a joint requisition to the Company to convene an extraordinary general meeting of the Company. The agenda for such meeting involves replacing Anupam Mittal as the managing director.</p>
<p><b>December 2020</b></p>	<p>WestBridge exercises its buyback option, requiring that the Company: (i) convert the 1,000 Series A1 preference shares into 580,779 equity shares; and then, (ii) effect a buyback of said equity shares. Company converts the preference shares, but is unable to offer the buyback price for the converted equity shares.</p>
<p><b>October 2021</b></p>	<p>WestBridge issues a drag-along notice compelling the sale of shares to a “significant competitor”, relying on the SHA which states that if the buyback could not be completed, the Drag Along rights would be triggered, which included the right to have the holding of the minority shareholders (including founders) liquidated and sold to any party without restriction.</p>

<sup>3</sup>Article published by Inc42 on September 05, 2024, accessible [here](#).

<sup>4</sup>Bombay High Court Judgement on September 11, 2023, in Anupam Mittal v People Interactive (India) Private Limited and others, available [here](#).

## Overview of Litigation

### **NCLT Mumbai Bench: March 2021**

Anupam Mittal files Company Petition No. 92(MB)/2021 before the National Company Law Tribunal, Mumbai Bench (“NCLT”), alleging oppression of a minority shareholder and mismanagement of the Company under Sections 241 and 242 of Companies Act, 2013. It is crucial to note that such disputes are not arbitrable under Indian law.

### **High Court of Singapore: March 2021**

WestBridge files a suit before the Singapore High Court, seeking an anti-suit injunction against Anupam Mittal on the grounds that the SHA stipulated arbitration seated in Singapore to resolve issues presently being litigated before the NCLT. Ruling that it was the law of the designated seat that determined arbitrability of an issue, the Singapore High Court allowed the temporary injunction ex-parte against Anupam Mittal in March 2021.

### **High Court of Singapore: October 2021**

The anti-suit injunction against Anupam Mittal was made permanent in October 2021. This was done on the basis of a “composite test” to determine subject-matter arbitrability at the pre-award stage (i.e., whether a dispute is arbitrable or not will be determined by the law of the seat as well as the law governing the arbitration agreement, both of which were found to be Singapore law in this instance). As per Singapore law, issues of oppression/mismanagement are arbitrable.

### **Supreme Court of Singapore: November 2021**

The permanent injunction is challenged by Anupam Mittal.

### **Arbitration Proceedings: May 2022**

WestBridge initiates arbitration proceedings.

### **Supreme Court of Singapore: January 2023**

The permanent injunction is upheld on the basis of the composite test.

### **Arbitration Proceedings: April 2023**

A partial award is passed upholding jurisdiction in Singapore.

### **NCLT, Mumbai Bench: September 2023**

Anupam Mittal seeks an injunction restraining WestBridge from invoking arbitration proceedings in Singapore.

### **Bombay High Court: September 2023**

Anupam Mittal’s anti-anti suit injunction is granted on the grounds that the only forum available for remedy is the NCLT.

### **NCLT, Mumbai Bench: September 2023**

The NCLT passes an interim order in September 2023, stating Mittal “deserves to be granted the relief of interim injunction and the arbitration proceedings scheduled from 18.09.2023 to 22.09.2023 deserve to be stayed”.<sup>5</sup>

### **NCLAT, Principal Bench, New Delhi: January 2024**

WestBridge files Company Appeal (AT) No. 2 of 2024 before the National Company Law Appellate Tribunal, Principal Bench, New Delhi, against the interim order of the NCLT.

### **Current Status**

The NCLAT is in the process of hearing arguments against the interim order, with the next hearing slated for November 11, 2024. While the company petition filed before NCLT is next slated to be taken up on October 30, 2024, pending disposal of the appeal by NCLAT, the matter will likely not be taken up.

## Jurisdiction is Key – India v/s Singapore:

This dispute has highlighted significant challenges in cross-border legal disputes and the complexities of enforcing shareholder agreements in international fora. Despite litigation stretching on since 2021, the issue of oppression and mismanagement has yet to be ruled on, and the current issue before the courts is actually of: (i) jurisdiction, i.e., determining the competent authority to adjudicate on the SHA and allegations of oppression and mismanagement; and (ii) enforceability of foreign arbitration awards:

- Singapore Jurisdiction:** WestBridge argued that since the SHA stipulated that arbitration would be governed by International Chamber of Commerce (ICC) rules with Singapore as the arbitration seat, the dispute was to be heard and adjudicated in Singapore. The Singapore courts upheld this on the basis of: (i) the composite test, ruling that whether a dispute is arbitrable or not will be determined by the law of the seat *as well as* the law governing the arbitration agreement; and (ii) oppression/mismanagement disputes being arbitrable under Singapore law.
- Indian Jurisdiction:** Mittal argued that jurisdiction to hear issues of corporate oppression and mismanagement is exclusively vested with the NCLT under Sections 241-244 of the Companies Act, 2013 and are not arbitrable under Indian law, in accordance with Section 48(2) of the Indian Arbitration & Conciliation Act, 1996 (“A&C Act”), which is briefly excerpted below:

*“Enforcement of an arbitral award may also be refused if the Court finds that—*

*(a) the subject-matter of the difference is not capable of settlement by arbitration under the law of India; or*

*(b) the enforcement of the award would be contrary to the public policy of India.*

*Explanation 1: For the avoidance of any doubt, it is clarified that an award is in conflict with the public policy of India, only if – (i) the making of the award was induced or affected by fraud or corruption or was in violation of section 75 or section 81; or (ii) it is in contravention with the fundamental policy of Indian law; or (iii) it is in conflict with the most basic notions of morality or justice.” (emphasis added)*

It is crucial to note that the provisions of the A&C Act have been interpreted to limit the arbitrability of intra-company disputes and consequently, provide Mittal with the legal grounds to resist enforcement of the foreign arbitration award.

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<sup>5</sup>Article published by A&O Shearman on September 20, 2023, accessible [here](#).



## Implications of the Case

This case holds significant implications for corporate law, cross-border investments, and the arbitration landscape, particularly in the context of Indian startups and venture capital:

- **Jurisdiction Determination:** The case emphasizes the importance of clearly defining jurisdiction in cross-border agreements, especially where legal disputes span multiple countries. The differing interpretations of arbitration clauses by Singapore and Indian courts underscore the complexities of jurisdictional overlaps.
- **Extent of Arbitration in Legal Disputes:** The case explores the limits of arbitration, particularly concerning corporate governance issues like oppression and mismanagement. The contrasting legal positions in Singapore and India highlight the potential conflicts that arise when arbitration is attempted in disputes traditionally reserved for domestic courts.
- **Enforcement of Cross-Border Orders:** The enforceability of foreign arbitration awards in domestic courts is a critical concern, especially when the awards conflict with local laws. The Bombay High Court's observation that corporate oppression disputes are non-arbitrable under Indian law, thus rendering foreign awards unenforceable, could set a precedent for future cases.
- **Corporate Oppression and Minority Rights in India:** The case brings to light the challenges of protecting minority shareholder rights in complex financial arrangements involving multiple jurisdictions. It illustrates the potential for exit mechanisms, such as drag-along rights, to be used in ways that might disadvantage minority stakeholders.

## Adverse Impact on Shaadi.com

The crux of Anupam Mittal's case is simple - if the Drag Along with sale of shares to a significant competitor is enforced, the impacts to the Company and the 'Shaadi.com' brand are adverse:

- **Control of the Company:** If Info Edge or any other competitor were to purchase the shares sold as part of the Drag Along structure, this would open the path for them to acquire the majority shareholding in the Company, and could drastically alter the Company's control dynamics. Currently, Anupam Mittal holds a 30% stake, while WestBridge controls 44.3%. With the consummation of the Drag Along sale, this could facilitate a takeover by such competitor and potentially diminish the Founder's influence over the Company.
- **Business, Strategy and Culture:** A shift in control/ownership could lead to a major restructuring of Shaadi.com's strategic direction and operations. This might affect key business decisions, brand positioning, and market strategies. Additionally, a change in control could impact the Company's culture and its relationships with stakeholders, including employees, customers, and partners.

- **Competition:** As one of three prominent names in the online matchmaking platform industry (including 'BharatMatrimony' and 'JeevanSathi'), any potential acquisition of the Company by a competitor would result in a potential acquisition of the 'Shaadi.com' brand absorbing the customer base and effectively, the market share held. This could not only result in a dramatic change in the existing market competition but potentially require strategic realignment within the industry.

## Future Implications for Startups and Venture Capital Firms

For startups and venture capital (VC) firms, this case underscores several crucial lessons.

- **Lessons in Drafting:** It is crucial that: (i) exit clauses and dispute resolution mechanisms be drafted with precision; and (ii) transaction documents include clearly outlined terms for various scenarios, including exits, buybacks, and drag-along rights, to prevent ambiguous interpretations and conflicts. Properly crafted agreements and well-defined dispute resolution processes can mitigate risks and facilitate smoother exits and transitions
- **Jurisdictional Issues:** It is critical that arbitration provisions be aligned with the legal frameworks of all involved jurisdictions. This alignment helps avoid prolonged and expensive legal disputes that can arise when different legal systems have conflicting interpretations of agreements. Startups and VCs should also consider the implications of international arbitration clauses and ensure they are practical and enforceable across jurisdictions.
- **Preference for Singapore-seated arbitration:** One of the key takeaways from this dispute is that differing principles of law governing arbitrability of a subject matter, would impact the enforceability of foreign awards in India. Given its reputation as an arbitration-friendly jurisdiction, Singapore is often designated as the seat of arbitration in investment and shareholder agreements. However, in light of this case it is crucial for parties to keep two elements in mind when negotiating an arbitration clause designating a foreign seat: (i) the law applicable to the arbitration agreement must be expressly stipulated to avoid any uncertainty; and (ii) the subject matter of the anticipated dispute should be arbitrable under both the law applicable to the arbitration agreement as well as the law of the seat.

## Conclusion

The WestBridge vs. Shaadi.com dispute transcends a typical investor–company conflict and stands as a landmark case in corporate governance and cross–border legal disputes, with particular impact on arbitration law. It has the potential to reshape how shareholder agreements are interpreted and enforced, particularly in complex, multi–jurisdictional contexts. The outcome of this case is likely to set important precedents for the management of shareholder rights, dispute resolution, and arbitration processes in international investments, especially given the popularity of choice of Singapore as a seat of arbitration for foreign investors. It also sheds light on the intricate balance between protecting minority shareholder interests and upholding contractual agreements. The implications of this case extend beyond Shaadi.com, influencing future legal frameworks and practices for corporate governance and investor relations in the global business landscape.



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