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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

% *Judgment Delivered on: 09.06.2025*

\+ **W.P.(C) 4633/2025 & CM APPL. 21406/2025**

KAIROSOFT AI SOLUTIONS LIMITED & ANR.....Petitioners

Through: Mr. Kapil Sibal, Sr. Adv. with Mr. Karan Luthra, Mr. Rishi Agrawala, Ms. Aarushi Tiku, Mr. Rishabh Parekh, Mr. Daksh Arora and Mr. Rohan Dua, Advs.

versus

SECURITIES AND EXCHANGE BOARD OF INDIA & ORS. .....Respondents

Through: Mr. Neeraj Malhotra, Sr. Adv. along with Mr. O.P. Faizi, Mr. Nimish Kumar, Mr. Rahul Malik, Ms. Shivangi Shokeen, Mr. Ashish Aggarwal, Mr. Himanshu Singh and Ms. Smriti Ahluwalia, Advs. for SEBI.

Mr. Pratap Venugopal, Sr. Advocate with Ms. Surekha Raman and Mr. Sidharth Nair, Advs. for R-2.

Mr. Ripudaman Bhardwaj, CGSC with Mr. Amit Kumar Rana, Adv for R/UOI.

CORAM:
HON'BLE MR. JUSTICE VIKAS MAHAJAN

JUDGMENT

VIKAS MAHAJAN, J

1. The present petition has been filed by the petitioners feeling aggrieved by the impugned notices dated 03.04.2025 and 04.04.2025 published by the

respondent no.2/BSE on its website whereby surveillance actions have been taken against shares of the petitioner no.1 company (hereinafter, the 'Company'). The challenge is also laid to the 'General Administrative Circular' dated 24.02.2023 issued by respondent no.2/BSE.

2. The case set out in the petition is that on 23.02.2017 respondent no.2/BSE introduced the 'Graded Surveillance Measure' (for short, 'GSM') Framework in consultation with respondent no.1/SEBI, whereby it was provided that if it is noticed that any securities witness abnormal price rise not commensurate with financial health of the company & fundamentals like Earnings, Book Value, Net worth etc., the securities will be made subject to the GSM Framework.

3. On 24.02.2023, impugned General Administrative Circular was issued by respondent no.2/BSE providing that messages/videos are being circulated with recommendations to deal in certain share scrips and such share scrips based on any unusual price/volume variation/trading concentration and other factors, may be shortlisted for surveillance action to GSM Stage-IV.

4. On 14.02.2025 and 18.02.2025, Company announced 'Rights to Issue' of its 8,00,000 equity shares available for subscription from 20.02.2025 at a fixed price of Rs. 250/- per share.

5. The 'Rights to Issue' was closed on 05.03.2025 and 7,82,956 equity shares were subscribed at Rs. 250/- per share. On 17.03.2025, respondent no.2/BSE granted listing approval to Company for the listing of 7,82,956 equity shares.

6. Thereafter, on 19.03.2025 respondent no.2/BSE granted traded approval for trading of aforementioned equity shares on the BSE w.e.f. 20.03.2025.

7. From 20.03.2025 to 28.03.2025, upward price trend of the Company's share scrip begun. The closing price of the share on the Stock Exchange ranged between Rs. 232.55 per share to Rs. 271.04 per share. On 25.03.2025, the shares also hit the upper circuit for some time.

8. It is the case of the petitioners that on 29.03.2025, after the upper trend became a public news, a rank stranger made a YouTube video recommending the shares of the Company's shares.

9. Between 30.03.2025 and 31.03.2025, two research analysts *viz*. Ms. Brahmi Kapasi, having 2,86,000 Instagram followers and Mr. Deepak Wadhwa having 7,00,000 YouTube subscribers, registered with respondent no.1/SEBI also made 'Buy' recommendations as regards Company's shares. It further appears that on 01.04.2025 and 02.04.2025 two more videos from rank strangers emerged on YouTube.

10. After circulation of the aforesaid videos on YouTube, on 02.04.2025 at 11.08 a.m. respondent no.2/BSE wrote to Company with reference to said videos and sought comments of Company.

11. The petitioners responded to BSE by stating that the information circulated in the videos is inaccurate and has not been authorized by the Company. It was also stated that the Company was not aware of the content creators behind these videos and would be filing a complaint against the channels involved for disseminating inaccurate information.

12. On 02.04.2025 itself, at 12.44 p.m., BSE again wrote to the Company suggesting the Company to file a complaint against the originator of the videos and also post details on Company's website about the action taken by it and further state on its website that the Company, its promoter, promoter group and directors are not involved in the activity of circulation of such

videos. At 1.22 p.m., the Company again wrote to BSE complying with each and every direction which was directed by BSE by its aforesaid email.

13. However, on 03.04.2025, BSE published first impugned notice on its website informing the general public that the securities mentioned in the 'Annexure I' to the notice, which included Company's securities, have been shortlisted based on circulation of videos and unusual price/volume movement and shall be treated under GSM Stage-IV.

14. Thereafter, on 04.04.2025, BSE published second impugned notice on its website whereby it informed the general public that the securities mentioned in the annexure to the notice, which included Company's securities, shall be moved to their respective higher stages of GSM w.e.f. 07.04.2025 as per the provisions of GMS framework and the trading members were requested to take precaution while trading in the said securities. As per the annexure to the notice, Company's securities were shown to be moved to GSM IV stage.

15. On 07.04.2024, at 11.29 a.m., Company became aware of the aforesaid action taken by BSE and sought reasons from respondent no.2/BSE for such an action taken against it. On the same day at 11.36 a.m. BSE wrote to the Company that shortlisting of securities under the GSM framework was purely on account of market surveillance reasons and it should not be construed as an adverse action against the concerned Company. Pursuant thereto, at 11.48 a.m. Company again sought reasons from BSE for taking such an action, however, BSE at 11.54 a.m. reiterated that the shortlisting of the securities under surveillance should not be construed as an adverse action.

16. Briefly put, it is the case of the petitioners and so contended by Mr.

Kapil Sibal, learned senior counsel appearing on behalf of the petitioners that by way of instant petition, petitioners are challenging the 'General Administrative Circular' dated 24.02.2023 issued by the respondent no.2/BSE, implementing which, BSE without any statutory backing, placed the shares of the Company directly in GSM Stage IV on the basis of certain rank strangers uploading YouTube videos recommending the Company's share scrips.

17. Mr. Sibal submits that by placing the shares of the Company in GSM Stage IV, two civil consequences have followed i.e. (a) the shares can be traded only one day a week i.e. every Monday and (b) a purchaser of a share has to deposit 100% amount over and above the share price as an Additional Surveillance deposit.

18. He submits that the impugned actions have been taken by the respondents without issuing any Show Cause Notice (in short 'SCN') and affording any hearing to the Company. Therefore, principles of natural justice have not been complied with.

19. Since at the outset, a preliminary objection was raised by the respondents as to the entertainability of the writ petition on the ground of territorial jurisdiction, as well as, on the ground of availability of efficacious alternative remedy, Mr. Sibal, on the aspect of territorial jurisdiction, *inter alia*, submitted that:

19.1. Mere issuance of 'General Administrative Circular' dated 24.02.2023 at Mumbai would not constitute the cause of action at Mumbai, but it is the infringement of the fundamental rights of the petitioners at Delhi on account of impact/effect of the said Circular, which would constitute the cause of action in Delhi;

19.2. The YouTube videos uploaded by rank strangers, which are the genesis of the impugned actions were available online across the whole country and were accessed by the Company including its shareholders at Delhi;

19.3. The entire correspondences exchanged between the parties on 02.04.2025 and 07.04.2025 were received by the Company at Delhi. The mails written by the Company were received by the BSE at Mumbai. Accordingly, the cause of action has arisen at both Mumbai and Delhi;

19.4. The impugned notices were published by the BSE on its website at Mumbai. Accordingly, this is the only cause which has exclusively arisen at Mumbai;

19.5. The infringement of the rights of the petitioners on account of issuance of the impugned notices took place only at Delhi as the Company has its registered office at Delhi;

19.6. Though the impugned notices were published on the website of the BSE, the same were accessed by the petitioners at New Delhi. Accordingly, the impugned notices are to be deemed to have been communicated to the petitioners at New Delhi;

19.7. Impugned notices placed restrictions on the trading of the shares of the Company. While shares are traded on an online platform from all across the country, the *situs* of the shares is at the registered office of the Company at Delhi;

19.8. Therefore, it is contended by Mr. Sibal that significant part of cause of action has arisen at Delhi and only a miniscule part of cause of action has arisen at Mumbai. He places reliance on ***Kusum***

Ingots & Alloys Ltd. vs. Union of India and Another, (2004) 6 SCC 254;

19.9. The respondents have not contended that the courts at Delhi are *forum non-conveniens* to them but that this Court lacks territorial jurisdiction. Hence, the plea of *forum non-conveniens* is not available to be urged by the respondents;

19.10. Even if there are competing causes of action at both Delhi and Mumbai, it is the choice of the petitioners being *dominus litus*, which would prevail. Only if this court concludes that only a miniscule part of cause of action arises in Delhi, would the doctrine of *Forum Conveniens* have any application.

19.11. Even otherwise, on the application of doctrine of *Forum Conveniens,* the Courts at Delhi are the most convenient *forum* for adjudication of the present petition as it is Delhi where the infringement of fundamental rights of the petitioners have taken place; and

19.12. Doctrine of *Forum Conveniens* is usually applied in cases where the evidence or witnesses of a party are available outside the limits of the Court or where the records are required to be summoned and are available outside the limits of the Court or where it would be convenient in terms of money, resources and time for the parties to litigate before a Court or a Tribunal at a particular place. None of these facts are applicable in the present case to non-suit the petitioners on the basis of the doctrine of *Forum Conveniens*. Reliance is placed on ***Lt. Col. A.S. Chaudhari vs. Union of India Thr the Secretary Ministry of Defence & Ors., 2015 SCC OnLine Del 6491;***

19.13. Mr. Sibal has also placed reliance on the following decisions – (i) ***Om Prakash Srivastava vs. Union of India and Another, (2006) 6 SCC 207***, and (ii) ***Larsen & Toubro Limited and Another vs. Punjab National Bank and Another, 2021 SCC OnLine Del 3827***.

20. *Per contra* Mr. Pratap Venugopal, learned senior counsel appearing on behalf of BSE submits that petitioners are seeking quashing and setting aside of impugned notices dated 03.04.2025 and 04.04.2025 published by BSE on its website. He submits that the Company, as in the case of all companies listed on BSE, entered into a Listing Agreement, which was executed between the Company and BSE on 28.01.2016 under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Clause 2 thereof reads thus:

> *"2. That without prejudice to the above clause, the Issuer hereby covenants and agrees that it shall comply with the following:*
>
> *i. The SEBI (Listing Obligations And Disclosure Requirements) Regulations 2015 and other applicable regulations/ guidelines/ circulars as may be issued by SEBI from time to time.*
>
> *ii. The relevant byelaws/ regulations/ circulars /notices /guidelines as may be issued by the Exchange from time to time.*
>
> *iii. Such other directions, requirements and conditions as may be imposed by SEBI/ Exchange from time to time."*

21. He draws attention of the Court to Rule 1.3 of the Rules of BSE which deals with the exclusive jurisdiction clause, to contend that only the Courts of Mumbai have the exclusive jurisdiction to entertain the present writ petition. The same reads as under:

> *Rule 1.3 Jurisdiction*

Save and except as specifically provided otherwise, the Rules, Byelaws and Regulations shall be subject to the exclusive jurisdiction of the Courts of Mumbai irrespective of the location of the place of business of the members and clients in India or the place where the concerned transaction may have taken place.

22. He submits that this Court does not have the territorial jurisdiction to entertain the present petition for the following reasons – (i) business of buying, selling or dealing in the securities of the listed companies is done through the computerized processing unit of the BSE at Mumbai; (ii) trading and clearing settlement of transactions in the securities of Company happens in Mumbai at the platform of BSE; (iii) the servers on which the trading takes place are located in Mumbai; (iv) the Registered Office of BSE is at Mumbai; (v) the shareholders or investors in the security market may be scattered all over India, however, the cause of action in the present case has arisen only in Mumbai; (vi) the impugned notices/ communications/ emails issued electronically are disseminated on the website of BSE; (vii) all the compliances by listed companies including Company are done at the registered office of BSE at Mumbai; (viii) the listing of the shares on the platform of BSE is also controlled at Mumbai and on account of Company having accepted the Rules of BSE under the Listing Agreement, territorial jurisdiction falls exclusively within the jurisdiction of Courts at Mumbai. To conclude, he submits that material and significant part of the cause of action has arisen in Mumbai.

23. Mr. Neeraj Malhotra, learned senior counsel appearing on behalf of respondent no.1/SEBI has reiterated that significant part of the cause of action has arisen in Mumbai.

24. On the issue of territorial jurisdiction, Mr. Venugopal and Mr.

Malhotra, have relied upon the following decisions:

i. ***Kusum Ingots*** (supra);

ii. ***BSE Limited vs. JM Financial Asset Reconstruction Company Limited and others, 2018 SCC Online Hyd 256;***

iii. ***West Coast Ingots (P) Ltd. vs. Commissioner of C.Ex., New Delhi, 2006 SCC OnLine Del 1778;***

iv. ***National Textile Corpn. Ltd. and Others vs. Haribox Swalram and Others, (2004) 9 SCC 786;***

v. ***Union of India and Others vs. Adani Exports Ltd. and Another, (2002) 1 SCC 567;***

vi. ***Bharat Nidhi Limited Through its Authorised Representative vs. Securities and Exchange Board of India and Others, 2023 SCC OnLine Del 8073*** and

vii. ***Ashoka Marketing Limited and Another vs. Securities and Exchange Board of India and Others, 2024 SCC OnLine Del 6731;***

25. In rejoinder, Mr. Sibal submits that insofar as reliance placed by Mr. Venugopal on Rule 1.3 of the BSE Rules is concerned, the Hon'ble Supreme Court in ***Maharashtra Chess Association vs Union of India and Ors., (2020) 13 SCC 285*** has held that an exclusive jurisdiction clause cannot oust the jurisdiction of a Writ Court under Article 226 of the Constitution.

26. Arguments were also addressed by the learned senior counsels for the parties on the issue of alternative efficacious remedy as well, however, the same will assume relevance only upon this Court holding in affirmative as to its territorial jurisdiction.

27. In the present case the relevant provision invoked by the petitioner is

Clause (2) of Article 226[1] of the Constitution which provides that the `cause of action' must at least arise in part within the territories in relation to which the High Court exercises jurisdiction, to clothe that High Court with jurisdiction to entertain and try a writ petition. The Hon'ble Supreme Court in ***State of Goa v. Summit Online Trade Solutions (P.) Ltd. and Ors.***[2] observed that expression 'cause of action' has not been defined in the Constitution, but in the context of a writ petition, what would constitute such `cause of action' is the material facts which are imperative for the writ petitioner to plead and prove to obtain relief as claimed. Such pleaded facts must have a nexus with the subject matter of challenge based on which the prayer can be granted. The facts which are not relevant for grant of the prayer would not give rise to a cause of action conferring jurisdiction on the court. The guiding tests as were laid down by the Hon'ble Apex Court read as under:

> *"16. The expression `cause of action' has not been defined in the Constitution. However, the classic definition of `cause of action' given by Lord Brett in Cooke vs. Gill, (1873) 8 CP 107 that "cause of action means every fact which it would be necessary for the plaintiff to prove, if traversed, in order to support his right to the judgment of the court", has been accepted by this Court in a couple of decisions.* ***It is axiomatic that without a cause, there cannot be any action. However, in the context of a writ petition, what would constitute such `cause of action' is the material facts which are***

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[1] **Article 226. Power of High Courts to issue certain writs-**
(1) xxxx xxxx xxxx xxxx
(2) The power conferred by clause (1) to issue directions, orders or writs to any Government, authority or person may also be exercised by any High Court exercising jurisdiction in relation to the territories within which the cause of action, wholly or in part, arises for the exercise of such power, notwithstanding that the seat of such Government or authority or the residence of such person is not within territories.

[2] (2023) 7 SCC 791.

imperative for the writ petitioner to plead and prove to obtain relief as claimed.

17.Determination of the question as to whether the facts pleaded constitute a part of the cause of action, sufficient to attract clause (2) of Article 226 of the Constitution, would necessarily involve an exercise by the high court to ascertain that the facts, as pleaded, constitute a material, essential or integral part of the cause of action. In so determining, it is the substance of the matter that is relevant. ***It, therefore, follows that the party invoking the writ jurisdiction has to disclose that the integral facts pleaded in support of the cause of action do constitute a cause empowering the high court to decide the dispute and that, at least, a part of the cause of action to move the high court arose within its jurisdiction. Such pleaded facts must have a nexus with the subject matter of challenge based on which the prayer can be granted. Those facts which are not relevant or germane for grant of the prayer would not give rise to a cause of action conferring jurisdiction on the court. These are the guiding tests****."*

(emphasis supplied)

28. In ***Ashoka Marketing*** (supra) a Division Bench of this Court had an occasion to consider as to what facts would constitute material and essential facts for maintaining a writ petition. Relying upon the decisions of the Hon'ble Supreme in ***Kusum Ingots*** (supra) and ***Summit Online Trade Solutions*** (supra), the Court observed that in the context of maintaining a writ petition, cause of action are the material facts which are imperative for the writ petitioner to plead and prove, if traversed by the respondent, in order to support his right to the judgment of the Court. The facts pleaded in the writ petition must have a nexus on the basis whereof a prayer can be granted. The facts which have nothing to do with the prayers made therein cannot be said to give rise to a cause of action.

29. In the said case the challenge was to a Revocation Order dated

10.11.2023 whereby Settlement Order stood revoked and withdrawn by SEBI in terms of Regulation 28 of the SEBI (Settlement Proceedings) Regulations of 2018 on the ground of alleged failure of the appellants therein to comply with the terms of the Settlement Order, which was assailed before this Court. The Court noted that the challenge to the impugned Revocation Order had been raised, *inter-alia*, on the grounds of non-adherence to the principles of natural justice by SEBI alleging that SEBI failed to provide the appellants an opportunity of hearing prior to revocation and that the order is unreasoned. It was further pleaded that the impugned order is contrary to the extant law. The Court observed that the grounds pleaded would show that each one of them allege acts and omissions by SEBI at Mumbai, therefore, the cause of action for challenging the impugned order against SEBI has arisen at Mumbai. The relevant extract from the said decision reads as under:

> *"**Material, essential facts forming part of the Cause of Action***
>
> *16. The Supreme Court in Kusum Ingots & Alloys Ltd. v. Union of India and State of Goa v. Summit Online Trade Solutions (P) Ltd. (supra) while examining the expression cause of action used in Article 226(2) of the Constitution of India held that in the context of maintaining a writ petition, cause of action are the material facts which are imperative for the writ petitioner to plead and prove, if traversed by the respondent, in order to support his right to the judgment of the Court. It held that the facts pleaded in the writ petition must have a nexus on the basis whereof a prayer can be granted. It further held that those facts which have nothing to do with the prayers made therein cannot be said to give rise to a cause of action.*
>
> *16.1. Keeping in view the aforesaid statement of law, an examination of the grounds of challenge in the present writ petitions to the Impugned Revocation Order would assist the Court*

in appreciating the pleaded cause of action. ***It is the facts pleaded in the grounds, which constitute the material and integral facts, which the Appellants will have to prove, if traversed by SEBI, to seek a judgment of the Court.***

The challenge to the Impugned Revocation Order has been raised on the grounds of inter-alia non-adherence to the principles of natural justice by SEBI. It has been pleaded that the SEBI failed to provide the Appellants an opportunity of hearing prior to revocation and the order is unreasoned. It is further pleaded that the impugned order is contrary to the extant law. It is the facts pleaded in these grounds which would constitute the cause of action in favour of the Appellants herein. A bare perusal of the grounds would show that each one of them allege acts and omissions by SEBI at Mumbai. Therefore, in our considered opinion as per the grounds set out in the writ petition the cause of action for challenging the impugned order against SEBI has arisen at Mumbai.

16.2. In the facts pleaded by the Appellants for invoking the writ jurisdiction of the Courts at Delhi, undoubtedly, it cannot be said that the High Court of Delhi had no territorial jurisdiction for admittedly, the Appellants reside within the jurisdiction of this Court. However, none of the facts pleaded by the Appellants for invoking the jurisdiction of this Court are integral and material fact for challenging the Impugned Revocation Order*. The said facts are not sufficient for compelling this Court to hear the matter on merits.* ***For the same reason, the contention of the situs of shares of BNL is not an integral fact****.*

(emphasis supplied)

30. Reference in this regard may also be had to a decision of this Court in ***West Coast Ingots Pvt. Ltd.*** (supra), wherein a Division Bench of this Court was considering a question as whether this Court should decline to exercise its writ jurisdiction because a significant part of cause of action has not arisen within its territorial jurisdiction. The Court observed that where significant part of the cause of action arose outside the jurisdiction of this

Court, the petitioner should approach the appropriate High Court within whose territorial limits the substantial portion of the cause of action arose, and in such a situation this Court should decline to entertain the writ petition. However, the position may be different if the petitioner will be without any remedy elsewhere. The relevant part of the position reads as under:

> *"10. We reiterate that the issue in these cases is not whether this High Court lacks jurisdiction to entertain the writ petition. That it certainly does not under Article 226, as already explained.* ***The question really is whether this Court should decline to exercise its writ jurisdiction because a significant part of the cause of the action does not arise within its territorial jurisdiction. We may also add, that if the petitioner, in such event, will be without any remedy at all, the situation may be different. However, if the petitioner should properly approach the appropriate High Court within whose territorial limits a substantial portion of the cause of action arises, then this Court should decline to entertain the petition****. At the cost of repetition, we may observe that a significant part of the cause of action cannot be said to arise within the territorial jurisdiction of this Court merely because the order under challenge has been passed by a Tribunal located within its territorial jurisdiction, when the events leading to the filing of the proceedings before such Tribunal, and the parties to such proceedings, are outside the territorial jurisdiction of the Court. This is the situation in the present case. Also, the petitioners here are not without remedy on account of this Court declining to entertain their petitions."*
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> (emphasis supplied)

31. Having noted the above enunciation of law, what is to be examined is whether any material, integral and essential part of cause of action has arisen in Delhi. However, in the context of Clause (2) of Article 226 of the Constitution what needs to be ascertained is whether the facts, as pleaded in

the petition, constitute a material, integral or essential part of the cause of action and facts so pleaded have a nexus with the subject matter of challenge based on which the relief claimed can be granted.

32. The grievance articulated by the petitioners in the writ petition is essentially with regard to the issuance of impugned 'General Administrative Circular' dated 24.02.2023 and two impugned notices dated 03.04.2025 and 04.04.2025, issued by BSE. The relevant grounds in the writ petition reads as under:

> *"40.* ***The Petitioners submit that the Respondent No.2 has failed to provide any reasons as to why the Petitioner No.1 stock has been put in the highest category of the GSM which has led to the consequence that the Petitioner No.1's stock only being available for trade once a week i.e. only on Monday and a trader seeking to trade in the Petitioner No.1's stock has to deposit 100% additional amount over and above the value of the share to trade in the same.*** *The above action is not only contrary to the GSM Framework which provides that a stock shall be put into surveillance stagewise starting from "GSM Stage-0" to "GSM Stage-IV" based on a periodic review of the stock but has been done without issuing any show cause notice to the Petitioners or providing an opportunity of hearing. This action of the Respondent No.2 is in flagrant violation of Article 14 of the Constitution of India and in violation of the basic principles of natural justice. A copy of the notice issued by the Respondent No.2 from time to time notifying the Graded Surveillance Measures is annexed herewith and marked as Annexure P-22. A copy of the FAQ's issued by the Respondent No.2 is annexed herewith and marked as Annexure P-23.*
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> *xxx* *xxx* *xxx*
>
> *42.* ***The Impugned Notice dated 24.02.2023 also does not provide for issuance of any show cause notice or procedure for hearing and is bereft of the basic principle of natural justice and provides un-canalized and unguided discretion with the Stock Exchange to invoke civil consequences against a company without even***

providing the reason thereof which can be tested by a competent court. Such vesting of unbridled and arbitrary executive power without any statutory backing is unconstitutional.

xxx *xxx* *xxx*

B. Because the Impugned Notice is without any reason and without complying with the basic principle of natural justice and is violative of Article 14 of the Constitution of India.

C. Because the Impugned Notices were not even served upon the Petitioners, and the Petitioners came to know about only from the website of the Respondent No.2 after having suffered the prejudice.

xxx *xxx* *xxx*

H. ***Because the Respondent No.2 has failed to provide any reasons as to why the Petitioner No.1 stock has been put in the highest category of the GSM which has led to the consequence that the Petitioner No.1's stock only being available for trade once a week i.e. only on Monday and a trader seeking to trade in the Petitioner No.1's stock has to deposit 50% additional amount over and above the value of the share to trade in the same.*** *The above action is not only contrary to the GSM Framework which provides that a stock shall be put into surveillance stagewise starting from "GSM Stage-0" to "GSM Stage-IV" based on a periodic review of the stock but has been done without issuing any show cause notice to the Petitioners or providing an opportunity of hearing. This action of the Respondent No.2 is in flagrant violation of Article 14 of the Constitution of India and in violation of the basic principles of natural justice.*

xxx *xxx* *xxx*

K. ***Because the Impugned Notice dated 24.02.2023 also does not provide for issuance of any show cause notice or procedure for hearing and is bereft of the basic principle of natural justice and provides un-canalized and unguided discretion with the Stock Exchange to invoke civil consequences against a company without even providing the reason thereof which can be tested by a competent court. Such vesting of unbridled and arbitrary executive power without any statutory backing is***

unconstitutional."

(emphasis supplied)

33. Likewise, the fact pleaded to invoke the territorial jurisdiction this Court, are also reproduced herein below:

> *"45.* ***The Petitioner submits that this Hon'ble Court has the territorial jurisdiction to deal with the present Petition, inasmuch as, the direct effect of the Impugned Notices is on the Petitioners and its shareholders at New Delhi. The Petitioners made the complaints to the Cyber Cell/Respondent No.3 at Delhi to take down the impugned videos.*** *The Petitioners expected the Respondent No.2 to take cognizance of the complaint made by the Petitioner and accept the situation in view of the various opinions being published even prior to the impugned Youtube videos. Accordingly, a part of the cause of action has arisen at Delhi."*
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> (emphasis supplied)

34. Whereas the prayer made in the petition reads thus:

> *"****(i) Issue a Writ of Certiorari or any other appropriate writ, order or direction, quashing and setting aside the Impugned Notice Nos. 20250403-52 dated 03.04.2025 and 20250404-62 dated 04.04.2025 published by the Respondent No.2 on its website; and***
>
> ***(ii) Issue a Writ of Certiorari or any other appropriate writ, order or direction, setting aside the Impugned Notice No. 20230224-38 dated 24.02.2023 issued by the Respondent No.2 as being unconstitutional; and***
>
> *(iii) Issue a writ of mandamus or any other writ, order or direction directing the Respondent No.3 (Cyber Cell) to immediately act upon a complaint in relation to messages/videos which are circulated with recommendations to deal with certain scrips and direct the Respondents to provide for an effective framework so as to curb any recurrence of such messages/videos"*
>
> (emphasis supplied)

35. In the grounds it is alleged that said 'General Administrative Circular' does not provide for issuance of any show cause notices or procedure for hearing, and is bereft of basic principles of natural justice, thus, provides for un-canalised and unguided discretion with the stock exchange to invoke civil consequences against the Company. Likewise, challenge to the impugned notices dated 03.04.2025 and 04.04.2025 issued by the BSE is on the ground that they are arbitrary, bereft of reasons and issued without complying with the principles of natural justice.

36. Indisputably, the impugned 'General Administrative Circular' and Notices have been published by the BSE on its website at Mumbai. The petitioners have challenged the said Circular and Notices essentially on the grounds of non-adherence to the principles of natural justice; being bereft of reasons; and not providing an opportunity of hearing to the petitioners prior to putting Company's share scrips directly into GSM-IV, which could have been afforded by BSE only at Mumbai. Plainly, the premise of challenge to the impugned 'General Administrative Circular' and 'Notices', relates to the acts of omission and commission by BSE at Mumbai. Thus, the integral part of the cause of action in the present case has arisen only in Mumbai.

37. In the petition there are no traces of facts which would constitute a material, essential or integral part of cause of action having nexus with subject matter so to constitute a cause empowering this Court to entertain and adjudicate the dispute. The only fact pleaded in the writ petition to invoke the territorial jurisdiction of this Court, as noted in para 33 above, is that the direct effect of the impugned notices is on the petitioners and its shareholders at New Delhi and that the complaints were made by the petitioners to the Cyber Cell/respondent no.3 at Delhi to take down the

videos in question. Mr. Sibal has also argued that the *situs* of shares is in Delhi as the registered office of the Company is in Delhi, therefore, the rights of the petitioners have been impacted in Delhi.

38. However, it has not been alleged in the petition as to who are the shareholders in Delhi whose rights have been infringed. Incidentally, the petitioner no.2 is a resident of Faridabad and not of Delhi. Further, the shares are admittedly, traded through online platform all across the globe, therefore, it cannot be said that *situs* of shares is in Delhi merely because the registered office of the Company is in Delhi. The presence of some of the shareholders in Delhi or *situs* of shares are not the facts that would constitute a material or integral part of the cause of action, as the same has no relevance or nexus with the challenge laid to the 'General Administrative Circular' and Notices, on the ground of arbitrariness and non-adherence to the principles of natural justice. For the same reason, complaint made by the petitioners to the Cyber Cell/respondent no.3 at Delhi to take down the videos, is not a material and integral fact.

39. Even the registered office of the Company being in Delhi will not confer territorial jurisdiction on this Court. In ***Ashoka Marketing*** (supra) the Division Bench of this Court, relying upon the decisions of the Hon'ble Supreme Court in ***Summit Online Trade Solutions (P) Ltd.***[3] (supra)***,*** as well as, ***National Textile Corporation Ltd. vs. M/s Haribox Swalram***[4] has taken a view that the factum of petitioner company having its registered office at Delhi is not an integral fact for challenging the impugned order. The relevant excerpt from the decision in ***Ashoka Marketing*** (supra) reads as

[3] (2023) 7 SCC 791.
[4] (2004) 9 SCC 786.

under:

> *"**Registered offices of the Appellants at Delhi***
>
> *13. The Supreme Court in State of Goa v. Summit Online Trade Solutions (P) Ltd. after referring to National Textile Corporation Ltd. v. Haribox Swalram, has categorically held that registered office of a petitioning company does not form an integral part of the cause of action authorizing the petitioning company to approach High Court wherein the presence of registered office lies for invoking the jurisdiction under Article 226(2) of the Constitution of India. In the said judgment, the Supreme Court reiterated that facts pleaded for invoking territorial jurisdiction must form the basis of 'cause of action' and have nexus with the subject matter of challenge based on which the prayer can be granted. The relevant portion of the judgment of State of Goa (supra) reads as under:—*
>
> > *"**17**. Determination of the question as to whether the facts pleaded constitute a part of the cause of action, sufficient to attract clause (2) of Article 226 of the Constitution, would necessarily involve an exercise by the High Court to ascertain that the facts, as pleaded, constitute a material, essential or integral part of the cause of action. In so determining, it is the substance of the matter that is relevant. It, therefore, follows that the party invoking the writ jurisdiction has to disclose that the integral facts pleaded in support of the cause of action do constitute a cause empowering the High Court to decide the dispute and that, at least, a part of the cause of action to move the High Court arose within its jurisdiction. Such pleaded facts must have a nexus with the subject-matter of challenge based on which the prayer can be granted. Those facts which are not relevant or germane for grant of the prayer would not give rise to a cause of action conferring jurisdiction on the court. These are the guiding tests.*
> >
> > *18. Here, tax has been levied by the Government of Goa in respect of a business that the petitioning company is carrying on within the territory of Goa. Such tax is payable by the petitioning company not in respect of carrying on of any business in the territory of Sikkim. H**ence, merely because the petitioning***

company has its office in Gangtok, Sikkim, the same by itself does not form an integral part of the cause of action authorising the petitioning company to move the High Court. *We hold so in view of the decision of this Court in National Textile Corpn. Ltd. v. Haribox Swalram [National Textile Corpn. Ltd. v. Haribox Swalram, (2004) 9 SCC 786]. The immediate civil or evil consequence, if at all, arising from the impugned notification is that the petitioning company has to pay tax @ 14% to the Government of Goa. The liability arises for the specific nature of business carried on by the petitioning company within the territory of Goa. The pleadings do not reflect that any adverse consequence of the impugned notification has been felt within the jurisdiction of the High Court. At this stage, we are not concerned with the differential duty as envisaged in Schedule II (@ 6%) vis-à-vis Schedule IV (@ 14%) of the impugned notification. That is a matter having a bearing on the merits of the litigation."*

(Emphasis Supplied)

In light of the aforesaid law and in the facts of this case, the factum of the Appellants having their registered office at Delhi is not an integral fact to the cause of action for challenging the Impugned Revocation Order*."*

(emphasis supplied)

40. Also, the receipt of correspondence by the Company at Delhi or the petitioners allegedly accessing the impugned notices from the website of the BSE at New Delhi cannot alone be a determinative of jurisdiction of this Court. Reference in this regard may be had to the decision in ***ONGC v. Utpal Kumar Basu, (1994) 4 SCC 711.*** The respondent in said case had invoked the writ jurisdiction of the Calcutta High Court on the ground that the advertisement inviting bids for a tender was published in Times of India at Calcutta. Further, offer was submitted from Calcutta and then Fax messages were also sent from Calcutta and reply thereto was also received at

Calcutta, though tenders were called for a project in Gujarat. In this factual backdrop, the Hon'ble Supreme Court held that the alleged facts would not constitute forming integral part of the cause of action, therefore, it cannot be said that part of the cause of action arose within the jurisdiction of Calcutta High Court. The relevant excerpts from the said decision reads thus:

> *"8. From the facts pleaded in the writ petition, it is clear that NICCO invoked the jurisdiction of the Calcutta High Court on the plea that a part of the cause of action had arisen within its territorial jurisdiction. According to NICCO, it became aware of the contract proposed to be given by ONGC on reading the advertisement which appeared in the Times of India at Calcutta. In response thereto, it submitted its bid or tender from its Calcutta office and revised the rates subsequently. When it learnt that it was considered ineligible it sent representations, including fax messages, to EIL, ONGC, etc., at New Delhi, demanding justice. As stated earlier, the Steering Committee finally rejected the offer of NICCO and awarded the contract to CIMMCO at New Delhi on 27-1-1993.* ***Therefore, broadly speaking, NICCO claims that a part of the cause of action arose within the jurisdiction of the Calcutta High Court because it became aware of the advertisement in Calcutta, it submitted its bid or tender from Calcutta and made representations demanding justice from Calcutta on learning about the rejection of its offer. The advertisement itself mentioned that the tenders should be submitted to EIL at New Delhi; that those would be scrutinised at New Delhi and that a final decision whether or not to award the contract to the tenderer would be taken at New Delhi. Of course, the execution of the contract work was to be carried out at Hazira in Gujarat. Therefore, merely because it read the advertisement at Calcutta and submitted the offer from Calcutta and made representations from Calcutta would not, in our opinion, constitute facts forming an integral part of the cause of action. So also the mere fact that it sent fax messages from Calcutta and received a reply thereto at Calcutta would not constitute an integral part of the cause of action.*** *Besides the fax message of 15-1-1993, cannot be construed as conveying rejection of the offer as that fact occurred on 27-1-1993.*

We are, therefore, of the opinion that even if the averments in the writ petition are taken as true, it cannot be said that a part of the cause of action arose within the jurisdiction of the Calcutta High Court*."*

(emphasis supplied)

41. A somewhat similar view has been taken by the Division Bench of this Court in ***Ashoka Marketing Limited*** (supra). The Court held that the cause of action to challenge the impugned revocation order issued by SEBI at Mumbai has no nexus with the receipt of the said order at Delhi, as it is not the material or integral fact to the said cause of action. It was further held that receipt of the impugned revocation order at Delhi cannot alone be held determinative of the jurisdiction of this Court. The relevant portion of ***Ashoka Marketing Limited*** (supra) reads thus:

"14.3. ***The ratio of the aforesaid judgments when applied to the facts in these writ petitions lead to the conclusion that the cause of the action of the Appellants to challenge the legality of the Impugned Revocation Order issued by SEBI at Mumbai has no nexus with the receipt of the said order at Delhi; as this is not the material or integral fact to the said cause of action.*** *The Impugned Revocation Order was admittedly received by the Appellants in multiple jurisdictions and this fact if held to be determinative would enable Appellants to pick and choose jurisdictions which is the mischief that the Full Bench of Kerala High Court has opined should not be permitted and we agree with the same.* ***Therefore, the receipt of the Impugned Revocation Order at Delhi cannot alone be held determinative of the jurisdiction of this Court****."*

(emphasis supplied)

42. It is also the submission of Mr. Sibal that as the YouTube videos, which are the genesis of impugned action taken against the Company, were available all across the country and the same were accessed by petitioners at Delhi, therefore, a part of cause of action has arisen in Delhi. Suffice it to

state that the said videos may be the genesis of impugned action but the same by itself does not give rise to any cause of action, nor the contention of accessing such videos by the petitioners in Delhi is a relevant fact based on which impugned 'General Administrative Circular' and 'Notices' issued by BSE can be quashed. Clearly, the YouTube videos are not material or integral fact to the cause of action.

43. Lastly, Mr. Sibal has also argued that the impugned 'General Administrative Circular' dated 24.02.2023 is a general circular having effect in the entire country and the same has led to the infringement of fundamental rights of the petitioners at Delhi on account of its impact/effect, thus, the same constitutes cause of action in Delhi. Notably, the said Circular dated 24.02.2023 was issued by the BSE cautioning all concerned that where it is found that messages/videos are being circulated to investors by unregistered or unauthorised entities inducing them to deal in certain scrips, which is detrimental to the interests of investors and also adversely affecting the integrity of the securities market, such scrips will be shortlisted based on certain factors mentioned therein for surveillance action similar to GSM Stage IV.

44. Indubitably, the issuance of 'General Administrative Circular' dated 24.02.2023 by itself would not give rise to a cause of action. It is only when the said Circular is implemented, would it give rise to civil consequences, which may give rise to a cause of action.

45. In the present case, the surveillance action in terms of GSM Stage IV has been taken against the petitioners by issuing two impugned notices dated 03.04.2025 and 04.04.2025. The cause of action, thus, arose only when the said two notices were uploaded by the BSE headquartered at Mumbai, on its

website. Therefore, it is misconceived to say that issuance of 'General Administrative Circular' dated 24.02.2023 by itself gave rise to any cause of action. At this juncture, reference may be had to the decision of the Hon'ble Supreme Court in ***M/s. Kusum Ingots*** (supra) wherein it was held that cause action to challenge the constitutionality of a statute would arise only when the provisions of the Act or some of them which were implemented shall give rise to civil or evil consequences to the petitioner. It was further held that writ court would not determine a constitutional question in a vacuum.

46. Even otherwise, for the reasons already discussed herein above, merely accessing of impugned 'General Administrative Circular' dated 24.02.2023 in Delhi is not an integral fact to the cause of action, which could be held determinative of jurisdiction of this Court.

47. On the contrary, the following factors clearly suggest that material, essential or integral part of cause of action arose only in Mumbai:

i. the impugned 'General Administrative Circular' dated 24.02.2023 and Notices dated 03.04.2025 and 04.04.2025, were issued by BSE from Mumbai;

ii. the BSE has its registered office at Mumbai. The replies of the petitioner dated 02.04.2025 and 07.04.2025 were sent to the BSE at Mumbai;

iii. the listing of shares on the platform of BSE is controlled at Mumbai, and all trading and clearing settlements of transactions in the securities of the Company happens in Mumbai; and

iv. Above all, the premise of challenge to the impugned 'General Administrative Circular' and 'Notices' i.e. arbitrariness and non-adherence to the principles of natural justice, relates to the acts of

omission and commission by BSE at Mumbai.

48. True it is that even if small fraction of the cause action arises within the jurisdiction of this Court, this Court would have territorial jurisdiction to entertain the petition. However, it is equally settled that the facts pleaded must constitute a material, essential or integral part of the cause of action.[5] The cause of action, thus, does not comprise of all the pleaded facts; rather it has to be determined on the basis of the integral, essential and material facts which have a nexus with the *lis*.[6] The facts pleaded by the petitioners to invoke the territorial jurisdiction of this Court, as noted above, cannot be said to be essential, integral or material facts so as to constitute a part of "cause of action" within the meaning of Article 226 (2) of the Constitution.

49. Before parting, the decisions relied upon by Mr. Sibal on the aspect of territorial jurisdiction may also be adverted to.

50. In ***Om Prakash Srivastava*** (supra), the judgment of High Court of Delhi was set aside and the matter was remitted on the ground that the High Court without saying that no part of the cause of action arose within its territorial jurisdiction, had observed that the jurisdiction may be there, but Allahabad High Court can deal with the matter more effectively. The said decision is clearly distinguishable as this Court has come to definite conclusion that it has no territorial jurisdiction for the reasons noted hereinabove.

51. Mr. Sibal has relied upon ***Kusum Ingot***s (supra) to canvass the proposition that when a part of the cause of action arises within one or the other High Court, it will be for the petitioner to choose his *forum*. The said

[5] Alchemist Ltd. and Anr. vs. State Bank of Sikkim and Ors., (2007) 11 SCC 335.
[6] Bharat Nidhi (supra).

decision does not advance the case of the petitioners, as present is not a case where a part of the cause of action has arisen within territorial jurisdictions of two High Courts.

52. Likewise, the decision of this Court in ***A.S. Chaudhari*** (supra) will not come to the aid of the petitioners inasmuch as in the said case it has been held that normally, *forum conveninens* is applied where the evidence or witnesses of a party are available in a territory outside the limits of a Court. However, in the present case this Court has not come to the conclusion that the present Court is *forum non conveniens* to the parties, rather the decision of this Court is premised on the finding that this Court does not have the territorial jurisdiction.

53. In ***Larsen & Toubro Limited*** (supra) before a co-ordinate bench of this Court, the petitioner therein had challenged the impugned letters dated 18.08.2018 and 28.03.2019 both issued by respondent no. 1 /PNB. The Court held that decision by respondent no. 1/PNB was taken at Delhi, therefore, part of cause of action having arisen within the territory of this Court, it would have territorial jurisdiction to adjudicate the writ petition. Unlike ***Larsen & Toubro Limited*** (supra), in the present case, the impugned 'General Administrative Circular' and Notices have been issued by BSE at Mumbai, and this Court has also come to the conclusion that no part of cause of action has arisen in Delhi for the reason that the averments made to invoke the territorial jurisdiction of this Court are not integral to the cause of action. Therefore, reliance placed by petitioners on ***Larsen & Toubro Limited*** (supra) is misconceived.

54. In view of the above discussion, the petition is dismissed. Liberty is, however, granted to the petitioners to approach the jurisdictional High

Court.

55. Since this Court has recorded a finding that it lacks territorial jurisdiction, therefore, it will not be apposite to examine the other preliminary objection *apropos* availability of alternative efficacious remedy. The said objection is left open.

56. The petition, alongwith pending application, is disposed of.

VIKAS MAHAJAN, J

JUNE 09, 2025
Aj/dss