

TATA V/S CYRUS MISTRY: A CASE STUDY

*Nitin Sharma **Rishabh Gupta

*Assistant Professor, Avantika University, School of Management, Ujjain, (Madhya Pradesh)
India

**Research Scholar, Avantika University, School of Management, Ujjain, (Madhya Pradesh)
India

ABSTRACT

This study examines the high-profile legal battle between Cyrus Mistry, former chairman of Tata Sons, and the Tata Group, a leading Indian conglomerate. Mistry, whose family held a significant stake in Tata Sons, was abruptly removed from his position in 2016. The ensuing dispute centred on allegations of oppression and mismanagement by the Tata Group, which Mistry contested.

The case traversed various legal forums, with Mistry claiming unfair dismissal and seeking reinstatement. The National Company Law Tribunal (NCLT) initially dismissed his petition, but the National Company Law Appellate Tribunal (NCLAT) ruled in his favor, ordering his return as chairman. However, the Supreme Court ultimately upheld Tata Sons' decision, finding their removal of Mistry a valid exercise of majority shareholder power.

The case delves into potential reasons for Mistry's removal, including concerns over specific business deals and potential conflicts of interest. The outcome has significant implications for Indian corporate governance. It reinforces the power of majority shareholders in board decisions, even against the wishes of minority shareholders. However, the case also raises questions about minority shareholder protection and the need for potential reforms to the Companies Act.

Beyond legal ramifications, the controversy has tarnished the image of the Tata Group and its former chairman, Ratan Tata. The case serves as a cautionary tale for corporate governance, highlighting the importance of transparency, accountability, and fair treatment of all stakeholders.

Keywords: Tata Group, Cyrus Mistry, Corporate Governance, NCLT, NCLAT, Supreme Court of India, Minority Shareholders

FINDING:

The Tata-Mistry controversy centered around the removal of Cyrus Mistry, a significant minority shareholder, from the chairmanship of Tata Sons. Mistry contested his dismissal, alleging oppression and mismanagement by the Tata Group. While the National Company Law Appellate Tribunal (NCLAT) initially ruled in his favor, the Supreme Court ultimately upheld Tata Sons' decision. This finding reinforces the power of majority shareholders in India to remove board members, even against minority objections. However, the case also highlights potential shortcomings in minority shareholder protection and raises questions about corporate governance practices within the country. The controversy's outcome has significant implications for Indian businesses, prompting potential discussions regarding reforms to the Companies Act and fostering a renewed focus on transparency and accountability in corporate decision-making.

OBJECTIVES

1. **Analyse Corporate Governance:** Examine the power dynamics between majority and minority shareholders in India, along with transparency and accountability in board decisions.
2. **Explore Legal Precedent:** Understand how the courts define board member removal and minority shareholder rights through the rulings in this case.

RESEARCH METHODOLOGY

The recommendations are based on the following research methods:

- Examination of secondary data obtained from various publications and journal.
- Various online sources.

RECOMMENDATION

The Tata-Mistry controversy exposes potential weaknesses in India's corporate governance structure. While the Supreme Court upheld majority shareholder power, the case highlights the need for better protection for minority shareholders. Recommendations could focus on measures like weighted voting rights or independent board representation to give minority voices a stronger presence. Additionally, the case underscores the importance of clear and transparent corporate governance practices. Strengthening internal controls, diversifying boards, and establishing defined dispute resolution mechanisms can foster trust and ensure fair treatment of all stakeholders. By addressing these areas, Indian corporations can create a more balanced and robust governance environment.

Tata and Cyrus Mistry were once closely related, both personally and professionally. Mistry's family is the largest single shareholder in Tata Sons, the holding company of the Tata Group. Mistry's sister, Aloo, is married to Noel Tata, the half-brother of Ratan Tata, the former chairman of Tata Sons.

The Tata-Cyrus Mistry controversy case was a high-profile corporate dispute between the Tata Group and its former chairman, Cyrus Mistry. Mistry was appointed chairman of Tata Sons, the holding company of the Tata Group, in December 2012. However, he was suddenly removed from his position on 24 October 2016.

The case went through various legal forums, including the National Company Law Tribunal (NCLT) and the National Company Law Appellate Tribunal (NCLAT), before finally reaching the Supreme Court of India.

Mistry claimed that he was unfairly removed from his position and that there were several wrongdoings within the Tata Group that were covered up. Cyrus Mistry two firm sterling investment pvt.ltd & Cyrus investment pvt. Ltd filed a petition NCLT alleging oppression that Tata is against the minority shareholder, not behaving good with minority shareholder and there is a mismanagement in company.

NCLT cancelled the petition in 2018. Then these two-firm reach NCLAT. On 18 dec 2019 and NCLAT took decision in favor of mistry and took a decision to bring him back on the position of chairmen and for this NCLAT gives 4 weeks' time to TATA SONS.

The Tata Group, on the other hand, claimed that Mistry was not suitable for the role of chairman and that his removal was a result of poor performance. The group also denied any allegations of wrongdoing.

Then TATA group challenge this NCLAT orders in supreme court and supreme court puts a stay order on the NCLAT decision, supreme courts say there are some gaps found in NCLAT orders.

The Supreme Court found that Mistry's removal as chairman of Tata Sons was a valid exercise of the power of the majority shareholders. The court also held that there was no evidence of oppression or mismanagement by the Tata Group.

The Tata-Mistry controversy case was a complex and highly publicized legal battle. The outcome of the case has a significant impact on the Indian corporate landscape.

REASONS FOR MISTRY'S REMOVAL:

The Tata Group has never publicly disclosed the reasons for Mistry's removal. However, some of the reasons that have been speculated about include:

- TATA power and Welspun.

Tata power acquire Welspun renewable energy in 2016, at 9249 crores and this deal was so huge.

Now, this deal was not discussed by the Tata son's director these was difficult for the directors to digest because they are the major Shareholders of Tata groups.

- TATA (teleservices) & NTT DoCoMo.

In 2009, NTT DoCoMo invest \$2.7 billion in teleservices and 26.5 % stake & then TATA started TATA DoCoMo.

Now some agreement and condition finalised between TATA and DoCoMo.

- If company earns a profit DoCoMo will increase its stake from 26.5% to 51% in next 5 years.

BUT

- If operating fails so TATA need to find some or acquire his share in \$1.3 billion.

Unfortunately

- TATA fails to achieve the specified target in 5 years.

Now there are two options left with tata because company is already facing a problem so no one was ready to buy the shares.

BUT

Few days before RBI changes the rules

- Conflict of interest.

There was a deal between ratan tata and Cyrus mistry, in which it was clearly mentioned that he will not provide any project to Shapoorji Pallonji because it was misty firm or we can say its family business. And on same mistry writes a letter to all other companies regarding the same.

OUTCOME OF THE CASE:

The Supreme Court's ruling in favour of Tata Sons has upheld the majority shareholders' right to remove the board of directors, even if the minority shareholders disagree. The ruling has also set a precedent for corporate governance disputes in India.

IMPACT OF THE CASE:

The Tata-Mistry controversy case has had a significant impact on the Indian corporate landscape. The case has raised important questions about corporate governance and the role of minority shareholders in India. The case has also highlighted the need for reforms to the Companies Act.

The case has also had a negative impact on the image of the Tata Group. The group has been criticized for its handling of the dispute and for its treatment of Mistry. The case has also damaged the reputation of Ratan Tata, the former chairman of Tata Sons.

IMPORTANT DATES

2016

24 OCT: - Tata sons remove Cyrus mistry as executive chairman of the group holding company, appoints Ratan Tata as interim chairman, and Dishand the group executive council.

25th oct 2016 – TATA SONS filed Cavets to prevent exparte order.

5 Nov: - tata groups listed companies start announcing extraordinary general meeting (EGMs) to remove mistry as chairman.

10 Nov: - tata sons replace Mistry as chairman of tata consultancy services with Ishaan Hussain as interim director.

14 Nov: - Independent director of Tata Motors refused to take sides, saying the automakers boards was collectively responsible for all strategy and operations.

16 DEC: - NUSSLI WADIA, Wadia group chairman who was remove as an independent director from the board of tata motors and tata steel, files a defamation case against tata son and ratan tata.

19 DEC: - Mistry resigns as director from all TATA groups companies.

20 DEC: - Mistry family firms files case against tata sons at NCLT, alleging oppression of minority shareholders and mismanagement.

27 DEC: - Wadia writes to SEBI alleging violation of insider trading norms at TATA Sons.

2017

12 JAN: - Tata sons names N. Chandrasekaran, CEO of TCS Ltd. As its chairman.

28 Feb: - Tata sons settle legal disputes with NTT DoCoMo Inc.

Sep 2017 - TATA Steel appealed for conversion of tata sons as Public Company to Private company.

TIME LINE

- December 2012: Cyrus Mistry is appointed chairman of Tata Sons.
- 24 October 2016: Mistry is suddenly removed from his position as chairman of Tata Sons.
- November 2016: Mistry files a petition with the National Company Law Tribunal (NCLT) alleging oppression and mismanagement by the Tata Group.
- July 2018: The NCLT dismisses Mistry's petition.

- August 2018: Mistry appeals the NCLT's order to the National Company Law Appellate Tribunal (NCLAT).
- December 2019: The NCLAT rules in favour of Mistry and orders his reinstatement as chairman of Tata Sons.
- January 2020: Tata Sons appeals the NCLAT's order to the Supreme Court of India.
- December 2020: The Supreme Court dismisses appeal of NCLAT's order and uphold with TATA Sons.
- TATA SON replied that the applicants does not satisfy the required of 10%.
- [CYRUS MISTRY GROUP: - 18% EQUITY SHARE CAPITAL]
- [CYRUS MISTRY: - 2% OF TOTAL PREFERENCE CAPITAL]
- Feb 2017 -- TATA SONS EGM {Extraordinary General Meeting}, shareholder passed the resolution to remove Cyrus Mistry as chairman.
- 21st Feb 2017 – Natarajan Chandrasekaran was appointed as a chairman.
- NCLT dismissed the Cyrus Mistry petition.
- Cyrus Mistry appealed NCLAT, application for operation & management and order NCLT to proceed with case.
- NCLT rejected allegation of operation & management approved conversion of TATA SONS {Public to Private}.

CONCLUSION

The Tata-Mistry controversy culminated in the Supreme Court upholding the majority shareholder's right to remove Cyrus Mistry. This outcome reinforces the power dynamics within Indian corporations. However, the case also exposes potential weaknesses in minority shareholder protection and corporate governance practices. Moving forward, discussions regarding reforms to the Companies Act, a renewed focus on transparency and accountability, and potentially strengthening minority shareholder rights can pave the way for a more balanced and robust corporate governance environment in India.

REFERENCES

1. <https://www.legalmantra.net/blog-detail/TATA-CYRUS-MISTRY-CASE-STUDY>
2. <https://www.seconline.com/blog/post/2021/05/15/tata-v-mistry-a-case-for-greater-protection-of-minority-shareholders-rights/>
3. <https://academic.oup.com/book/44490/chapter-abstract/376439345?redirectedFrom=fulltext&login=false>
4. <https://www.ndtvprofit.com/business/tata-versus-mistry-how-the-saga-unfolded>
5. <https://rna-cs.com/tata-vs-mistry-case-law/>