

CYRUS INVESTMENTS PVT LTD V. TATA SONS LTD AND ORS. –
CASE ANALYSIS

*By Akshay Singh**

Case Name	Cyrus Investments Pvt Ltd v. Tata Sons Ltd and Ors.
Citations	Company Appeal (AT) No. 254 of 2018
Bench	S.J Mukhopadhaya Chairperson, Bansi Lal Bhat
Relevant Acts	Companies Act, 2013
Sections Referred	Section 241-242, Section 244, Section 118(10), Section 2 (68)

I. INTRODUCTION

The removal of the CEO of such a sizable corporation was humiliating; this had never happened before. Ratan Tata, the big man, had led the company for 21 years when he appointed his successor in April 2012, four years earlier.

The TATA Group is a sizable conglomerate of over 100 businesses, 28 of which are publicly traded, producing everything from salt to software and bringing in \$113 billion in revenue and Rs. 8,00,000 crores. It employs 720000 people. The Cyrus Mistry family's Shapoorji Pallonji company has a turnover of more than \$4 billion rupees (28000 crore), is involved in building, and produces water purifiers. They also happen to be the largest individual stakeholder (18.4%) in the Tata Group. The Mistry family holds a sizable percentage of the TATA group's shares. The Mistry family owns shares in TATA Sons, including 18% of the individual stock, 66% of the total stock, and the charity trust.

Through its holding company, TATA Sons, which owns shares in each of its enterprises, TATA controls all of them. However, Tata was better off when they were the owners and operators of renowned buildings like the Mumbai Taj Mahal Hotel. The largest software business in India, TCS, contributes 75% of the profits made by TATA.

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II. FACTS OF THE CASE

1. In the matter of Cyrus Investments Private Limited & Others ("Petitioners") v. Tata Sons Limited & Others¹ ("Respondents") on oppression and poor management under the company law system, the National Company Law Tribunal, Mumbai Bench ("NCLT") issued a major decision. The decision was given by distinguished members of the judiciary, Mr. B.S.V. Prakash Kumar and Mr. V. Nallasenapathy (Technical).
2. In this instance, Cyril Mistry joined the Shapoorji Pallonji group's board and grew to be the company's largest shareholder in 1991.
3. He was appointed a company director in 1994. His business owns over 80% of the shares in TATA Sons. Following his father's retirement from the TATA Group on 11 November 2011, Cyrus Mistry joined the Tata Sons Board of Directors in September 2006.
4. Cyrus Mistry was appointed Deputy Chairman after Ratan Tata retired, then in December 2012, he was appointed Chairman of Tata Sons. Tata Consultancy Services Limited CEO N. Chandrasekhar was appointed chairman of Tata and Sons in January 2017.
5. On February 6, 2017, the Board demanded the resignation of Cyrus Pallonji Mistry. This led to a conflict between Cyrus Mistry and TATA, which was broadcast globally, and everyone found out that Cyrus Mistry had been fired from his post.
6. This decision to exclude someone was not taken on the spot; rather, it was carefully considered. The next step was for Ratan Tata to inform the Prime Minister in a letter that the group's chairman had been fired.
7. Cyrus Mistry was fired for failing to carry out his responsibilities adequately, according to the justification offered. The National Company Law Tribunal rejected Cyrus Mistry's claim because there was no mismanagement at the TATA Group Company.

III. BACKGROUND

Cyrus Mistry submitted a petition to the National Company Law Tribunal, but it was denied on the grounds that the TATA Group Company had not engaged in any such mismanagement. On December 18, 2019, the National Company Law Tribunal made a decision to reinstate Cyrus Mistry to his position as chairman of TATA Sons and to grant TATA four weeks to appeal the NCLAT's ruling. After that, the Supreme Court declared the NCLAT's order to be invalid, noting that it contained numerous flaws and gaps. The Supreme Court gave the order to thoroughly investigate the situation.

Mistry was fired from his position as chairman on October 24, 2006 by the board of TATA Sons, the holding company for the TATA Group. Ratan Tata, the previous chairman, has been appointed acting chairman. In December 2016, two investment firms supported by the Mistry family filed a complaint with the National Company Law Tribunal, alleging mismanagement and repression of minority shareholders.

IV. ISSUES RAISED

1. Whether the NCLT's factual findings were not specifically and individually overturned by the Appellate Tribunal, it is questionable whether the Appellate Tribunal's conclusion that the company's affairs have been or are being conducted in a manner that is oppressive and harmful to some of its members, and that the facts otherwise support the winding up of the company on just and equitable grounds?
2. Is there a conflict between the pleadings submitted, the relief sought, and the authority granted under subsection (2) of Section 242? Does the reinstatement of CPM into the Board of Tata Sons and other Tata companies comply with the relief granted and the directives issued by the Appellate Tribunal?
3. Whether the Appellate Tribunal might have, in accordance with the law, restrained the Company's right to require any Member to transfer his Ordinary Shares by just enjoining the Company from exercising such a right without reversing the Article?
4. Whether the Tribunal's description of the affirmative voting rights available under Article 121 to the Directors nominated by the Trusts in accordance with Article 104B as oppressive and detrimental is justified, particularly in light of the express waiver of the right to challenge these Articles, and whether the Tribunal could have issued a

directive to RNT and the Nominee Directors effectively nullifying the effect of these Articles?

5. Is it true that, as held by NCLAT, the reconversion of Tata Sons from a public company into a private company required the necessary approval under section 14 of the Companies Act, 2013 or at the very least an action under section 43A (4) of the Companies Act, 1956 between 2000 (when Act 53 of 2000 came into force) and 2013 (when the 2013 Act was enacted)?

V. ARGUMENTS AND REASONING

According to Indian law, Cyrus Mistry's removal was legitimate because it required a majority vote from the board of directors and required notice to be given seven days before to the meeting per Section 173 of the Companies Act. However, if one independent director is present during the meeting when the decision has been taken by the majority of directors, it may also be waived.

In the NCLT, High Court, and Supreme Court, TATA Sons filed a caveat. They adopted this tactic to prevent any ex-parte orders from being issued in opposition to the decision they made to remove Cyrus Mistry.

Ratan Tata only persisted with the Nano project because of emotional factors, contrary to what Cyrus Mistry argued and bargained. Ratan Tata claimed that the Nano project had become a burden on the company itself. Additionally, he claimed that there is a significant amount of investment fraud. But in this instance, the Securities and Exchange Board of India kept track of the situation and ensured that there was no stock market fraud involving shares of TATA Sons.

Along with his response, Cyrus Mistry also provided the National Company Law Tribunal with an affidavit in which he asserted that he was not authorized to fully take control of the business or to set up the organization in his preferred fashion. In actuality, Ratan Tata frequently meddled in his decision-making, and he provided approximately 555 WhatsApp chat messages as evidence.

VI. JUDGEMENT

Mr. Cyrus Mistry, the former chairman of TATA Sons, was fired on October 24, 2016. The directors of the TATA Group gathered for a board meeting. Nine directors were present at the meeting, and seven of them voted to fire Cyrus while one cast a tie vote and one, Cyrus Mistry, supported keeping him in place. Cyrus Mistry was fired on October 24, 2015, followed by his two investing firms:

1. Investments by Cyrus Sterling Private Limited.
2. Tribunal for National Company Law
3. The verdict was in Cyrus Mistry's favor because he was able to show that he had done nothing wrong and that his dismissal from his employment had been unlawful. The Shapoorji Pallonji group said in a statement that they are not experiencing any problems and that they will not be considering taking legal action against TATA Sons.

Even after TATA filed a caveat with the courts, Cyrus Mistry stated that he was not inclined to sue the corporation, but he would consult a lawyer about any potential legal action that could be taken before his dismissal. The removal of Cyrus Mistry from his office startled the business community, and the company's shares dropped by 3.16% on the stock market as a result. This move also caused significant market panic.

However, Cyrus Mistry asserted that he is not receiving any of the legal requirements or opportunities for self-defense. He expressed disbelief in a letter, stating that the board had never given him the chance to work while there were claims he was underperforming and was fired as a result. He disputed the Nano project as well.

Cyrus Mistry demonstrated that there was significant interference while he worked for the company by providing all the records as proof. He was never able to work how he wanted to because of the firm. He was always burdened, and they interfered with every activity he completed in every sector. In addition, he asserted that some of the more senior members also experienced interference with their job, noting that he was not the only one.

Additionally, it was stated that under the company's articles of association, the chairman may only be dismissed by the board if Cyrus Mistry is found not to have acted honestly, to have

engaged in any type of internal mismanagement, or to have been disloyal to the company. In this case, none of the aforementioned circumstances apply to Cyrus Mistry.

The expulsion of Cyrus Mistry was unlawful, according to the National Company Law Appellate Tribunal (NCLAT). The NCLAT also blocked TATA Sons from becoming a private business. Furthermore, declares to reinstate Mistry's place within TATA Sons. The Supreme Court has postponed the enforcement of the NCLAT order after determining that it has "fundamental flaws." The Tribunal had, according to the Court, granted a prayer that had not been asked for.

VII. CONCLUSION

The verdict was not just Cyrus Mistry's victory; it was a victory for all good governance principles and for minority shareholders. The Supreme Court has yet to rule on the issue, so the final decisions are still subject to change. Mistry therefore keeps up his fierce defense of the rights of minority shareholders.

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