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National Company Law Appellate Tribunal (NCLAT)

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Why in News

The **National Company Law Appellate Tribunal (NCLAT)** has held that the **removal of Cyrus Pallonji Mistry** from the **post of Executive Chairman** of Tata Sons in 2016 was **illegal**.

- The Tribunal has set aside a July 2017 order by the Mumbai bench of the **National Company Law Tribunal (NCLT)**, which had upheld Mistry's removal from his position.
- The NCLAT also declared the conversion of the 'Tata Sons Limited' **from 'Public Company' to 'Private Company'** by Registrar of Companies **illegal**. It remarked that the decision to convert the company to private was 'prejudicial' and 'oppressive' to the minority shareholders.
- In general, this decision by NCLAT will **empower the minority shareholders**, and will force Independent Directors to take their objections more seriously.

The Code for **Independent Directors**, which is part of the Companies Act, 2013, says that one of their functions is to **"safeguard the interests of all stakeholders, particularly the minority shareholders"**.

National Company Law Appellate Tribunal

- The NCLAT was constituted under **Section 410 of the Companies Act, 2013** to hear appeals against the **orders of the National Company Law Tribunal (NCLT)**.
NCLT is a quasi-judicial body that adjudicates issues relating to companies.
- It is also the appellate tribunal for orders passed by the **NCLT(s) under Section 61 of the Insolvency and Bankruptcy Code (IBC), 2016**, and for orders passed by the **Insolvency and Bankruptcy Board of India (IBBI) under Sections 202 and 211 of the IBC**.

- Any person aggrieved by any order of the NCLAT may file an **appeal to the Supreme Court.**

Note

- **Minority shareholders:** They are the equity holders of a firm who does not enjoy the voting power of the firm by virtue of his or her below 50% ownership of the firm's equity capital.
- **Independent Director: An independent director** is a non-executive director of a company who helps the company in improving corporate credibility and governance standards. He/ She does not have any kind of relationship with the company that may affect the independence of his/her judgment.
- **Public and Private Companies**
 - Under the Companies Act, 2013, a company may be formed for any lawful purpose by—
 - Seven or more persons, where the company to be formed is to be a public company;
 - Two or more persons (limited to 200), where the company to be formed is to be a private company;
 - One person, where the company to be formed is to be One Person Company (a private company).
 - **Suffix after the Name of the Company:** 'Limited' in the case of a public limited company and 'Private Limited' in the case of a private limited company.
- **Registrars of Companies (ROC):** These appointed under Section 609 of the Companies Act are vested with the primary duty of registering companies and Limited Liability Partnerships (LLPs) floated in the respective states and the Union Territories and ensuring that such companies and LLPs comply with statutory requirements under the Act.

Source: IE