



Tata - Mistry Judgement

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Why in News

Recently, the **Supreme Court** overturned the **National Company Law Appellate Tribunal (NCLAT) decision** and upheld **Tata Group's decision to remove Cyrus Pallonji Mistry as the Executive Chairman and Director of Tata Sons.**

Key Points

Supreme Court Observations:

- **Minority shareholders** or their representatives are **not automatically entitled to a seat** on the private company's board like a small shareholder's representative.
- The provisions contained in the **Companies Act 2013** only protects the **rights of small shareholders** of listed companies by asking such companies to have on their board at least one director elected by such small shareholders.
- Since the **Mistry family and the Shapoorji Pallonji (SP) Group** are not small shareholders, but minority shareholders, there is no statutory provision which gives them the **“right to claim proportionate representation,”** on the board of Tata Sons.
- **Private companies**, which have **minority shareholders**, are **free to make an enabling provision** but are **under no statutory obligation** to give minority shareholder seats on the board.

Minority Shareholders

They are the equity holders of a firm **who do not enjoy the voting power of the firm by virtue of his or her below 50% ownership** of the firm's equity capital.

Small Shareholders

According to the Companies Act, small shareholders is a shareholder or group of shareholders who hold shares of nominal value of not more than Rs. 20,000.

The Companies Act 2013

It is an Indian company law which regulates incorporation of a company, responsibilities of a company, directors, dissolution of a company.

Significance of the Judgement:

Though the judgment does not directly impact the right of minority shareholders, such shareholders will have to ensure that they have a contract with the majority shareholders or the promoters of the company to ensure they have adequate representation on the board.

National Company Law Appellate Tribunal

- It was **constituted under Section 410 of the Companies Act, 2013** for hearing appeals against the orders of **National Company Law Tribunal (NCLT)**.
- NCLAT is also the Appellate Tribunal for hearing appeals against the orders passed by NCLT(s) under the **Insolvency and Bankruptcy Code, 2016 (IBC)**.
NCLAT also hears appeals against the orders passed by **Insolvency and Bankruptcy Board of India**.
- NCLAT is also the Appellate Tribunal to hear and dispose of appeals against any direction issued or decision made or order passed by the **Competition Commission of India (CCI)**.

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