



Tata - Mistry Judgement

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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