Tata Group

Tata chairman Mistry should be reinstated, Indian court rules

Judgment reopens one of corporate India's most acrimonious feuds

Cyrus Mistry, who was sacked after four years in charge when he fell out with his powerful predecessor Ratan Tata, had sought to establish that he was wrongfully dismissed and that Mr Tata had interfered in the business during his time there.

Benjamin Parkin in Mumbai DECEMBER 18 2019

An Indian court has reopened one of the country's highest profile corporate feuds by ruling that former Tata Sons chairman Cyrus Mistry should be reinstated to his post after he was ousted acrimoniously in 2016.

Mr Mistry, who was sacked after four years in charge when he fell out with his powerful predecessor Ratan Tata, had sought to establish that he was wrongfully dismissed and that Mr Tata had interfered in the business during his time there.

In ruling in Mr Mistry's favour, the National Company Law Appellate Tribunal, which adjudicates corporate disputes, held that Mr Mistry's replacement with current Tata Sons chairman Natarajan Chandrasekaran was unlawful. That allows the group four weeks to appeal its decision to the Supreme Court.

"The outcome of the appeal is a vindication of my stand taken when the then board of Tata Sons, without warning or reason removed me," Mr Mistry said after the ruling.

The ruling threatens to undo efforts the Tata family and Mr Chandrasekaran have made to move past one of the most damaging episodes in the vast conglomerate's 150-year history. It is also a personal blow to Mr Tata, one of India's most venerated industrialists.

In its own statement Tata Sons said that it "strongly believes in the strength of its case and will take appropriate legal recourse."

“Tata Sons assures its various stakeholders that it not only has always operated in a fair and equitable manner but also acted in accordance with the law,” it continued.

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Cyrus Mistry

The share prices of Tata Steel and Tata Motors each dropped around 5 per cent after the ruling was announced.

Most observers had judged that the years-long dispute was for all practical purposes history after a lower court last year ruled against Mr Mistry’s claims, which included a range of alleged corporate governance failings at the group.

But the NCLAT’s decision to set aside that judgment now leaves the company facing the prospect of months of renewed uncertainty over its future, at a time when its flagship businesses in areas like steel and automobiles are navigating difficult global and domestic markets.

“This judgment has come as a bolt out of the blue. No one was expecting this,” said Amit Tandon, founder of Institutional Investor Advisory Services. “It’s opened up a whole Pandora’s box.”

The prospect that Mr Chandrasekaran’s appointment was unlawful in particular threatened to cast legal doubt over the decisions he had made in his three years as chairman, Mr Tandon said, which could have a knock-on effect for the group’s publicly listed companies. “It has the potential of becoming very significant over the next few months,” he said.

Complicating the matter is that Mr Mistry’s family owns 18 per cent of Tata Sons. Mr Mistry argued that his ouster amounted to “oppression” of minority shareholder rights. Mr Tata, meanwhile, had continued on as chairman of Tata Trusts, which in turn owned two-thirds of Tata Sons.

After his appointment, Mr Chandrasekaran went about seeking to revamp the group. Tata Sons has sought to streamline its convoluted web of business that includes everything from tea to IT services. It has also had to deal with stress at some of its international brands, such as its European steel arm and Jaguar Land Rover.

Analysts said that the prospect of continued uncertainty at the group could now scare off investors, and effectively freeze important strategic decisions.

The ruling “will dent the good reputation of the Tata Group. Many investors will be shocked at this decision,” HP Ranina, a corporate lawyer, told television channel CNBC TV18.

Additional reporting by Andrea Rodrigues

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