


Chapter-3

CORPORATE DEMOCRACY: ANALYZING OPPRESSION AND MISMANAGEMENT WITH NEXUS TO THE TATA - CYRUS DISPUTE

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ABSTRACT

This research paper analyses the legal framework protecting minority shareholders in India, addressing challenges like oppressive actions and unfair treatment by majority, shareholders or management. It highlights the current Indian remedies for oppression as seen in the Tata consultancy services case compared to other jurisdictions emphasizing the need for parliamentary engagement of these remedies the paper examines the Companies Act 2013, specifically section 241 to 246, which aim to save God minority interests against management and operation. It also discusses key exceptions to the "Foss v Harbottle" rule, such as ultra vires acts and fraud by the majority, which protect minority rights. Furthermore, the study outlines various rights available to minority shareholders, including voting, legal action against directors and the right to inspect register. The Tata Cyrus dispute serves as a prominent case study illustrating the complexities of corporate democracy, the vulnerability of minority, shareholders and limitation of existing legal protections, ultimately advocating for a more inclusive and equitable, corporate governance model in India.

Keywords: Minority Shareholders, Oppression and Mismanagement, Companies Act, 2013
Foss v Harbottle, Tata-Cyrus Dispute, Corporate Governance

INTRODUCTION

The research paper examines the legal framework surrounding the protection of minority shareholders in India and the provisions safeguarding their rights. Ones holding a minority stake in a company, often face challenges such as oppressive actions, abuse of power, and unfair treatment by majority shareholders or the company management.

Although demonstrating that the company's operations are detrimental to specific members is comparatively simpler, demonstrating that winding up the business is "just and equitable" restricts the reach of the remedy. For shareholders seeking relief the language of the Companies Act, 2013 is conditional and presents a substantial barrier. Furthermore, India's remedies for oppression have remained narrow compared to other jurisdictions whose laws have evolved. The latest ruling in the Tata Consultancy Services case¹ reminds us that the Parliament must enlarge the remedy.

¹ Tata Consultancy Services V. Cyrus Mistry 2021 SC 184 CRUX

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