Sebi's blind spot sits just above Tata Sons: it's time to address it

Disclosure rules protect investors in 26 listed Tata companies but not from shocks at a level that actually controls their fate

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On 18 August, Tata Sons will hold its annual general meeting (AGM) and only one of its two largest charitable trusts will be entitled to cast a vote. The Sir Ratan Tata Trust, which together with the Sir Dorabji Tata Trust accounts for just over half of the roughly 66% of Tata Sons held collectively by Tata Trusts, a network of some 15 family trusts, has been restrained from participating in trust decisions by the Maharashtra Charity Commissioner, pending an inquiry into the composition of its board, an order that Tata Trusts have publicly contested as procedurally irregular and issued without a hearing. A separate decades-old dispute, over the 1989 transfer of 833 Tata Sons shares from the Navajbai Ratan Tata Trust to the late Naval Tata, has since resulted in a formal complaint to the Commissioner and a remarkable demand from an incumbent Tata Trusts vice-chairman for an independent probe of his own institution.

Layer this onto the still-unresolved question of N. Chandrasekaran's third term as Tata Sons chairman, deferred at a board meeting in February and now pushed to the August AGM, and one has three live governance disputes with a direct bearing on who controls the promoter of 26 listed companies with a combined market value that Tata's own investor disclosures put at more than $328 billion as of March 2025.

None of it has triggered a single disclosure under the Securities and Exchange Board of India's (Sebi) Listing Obligations and Disclosure Requirements (LODR) regulations of 2015. None of it need have. And that is the point.

The LODR's disclosure architecture, while extensively amended in recent years, is built around one governing assumption: that the entity making disclosures and the one whose governance matters to investors are the same, or at most one step removed through a 'material subsidiary.' Regulation 30 requires listed companies to disclose material events concerning themselves and their subsidiaries. It says nothing about material events at the level of the promoter above them that may control their board composition, capital allocation and, not infrequently, their very existence.

For most listed Indian firms, this gap is academic, since the promoter is an individual, a family or a company that is itself listed or closely held in a legally uncomplicated way. Tata Sons makes the gap impossible to ignore as the control chain runs through an unlisted core investment company regulated by the Reserve Bank of India (RBI) for prudential purposes, sitting beneath charitable trusts governed by the Maharashtra Public Trusts Act and answerable to a charity commissioner, not Sebi, nor stock exchanges, and nor to shareholders of group companies in any formal sense.

Consider what this means in practice. When the board of Tata Sons deferred Chandrasekaran's reappointment on 24 February, a decision material enough to create a three-month leadership vacuum at the group's apex, not one of the 26 listed Tata companies was obliged to inform its own shareholders. When the charity commissioner restrained the Sir Ratan Tata Trust from functioning in May, pending an inquiry, the same silence applied. Investors in some of India's most widely held stocks learnt of both developments from newspapers, not from stock exchange filings because the LODR framework gave no listed company a legal hook on which to hang a disclosure.

This is not criticism of Tata Sons' compliance. Tata Sons has no LODR obligation to breach, because it is not listed. It is criticism of the framework. The Tata situation happens to be the clearest illustration that India's markets have produced of a structural blind spot that predates it and will outlast it. Every large business house built around a holding-company or trust structure above its listed operating companies, and there are several, sits in some version of the same gap. The difference is that at most of them, the upper layer stays quiet. At the Tata Group, three separate disputes have surfaced within months of one another, at three different points in the same control chain, making visible in real time exactly what the disclosure framework is not built to see.

The fix need not be as complicated as the problem looks. Sebi's regulatory toolkit already reaches deep into questions of beneficial ownership and control across entity lines: the concept of "persons acting in concert" under its Takeovers Regulations looks beyond immediate shareholders to connected parties, and LODR's related-party transaction framework looks beyond the immediate corporate entity to connected transactions. Both exist because control, not formal listing status, is what securities regulation is meant to police. There is no principled reason that logic should stop at the boundary of an immediate listed entity. A workable fix does not require Sebi to regulate charitable trusts or unlisted NBFCs directly, which would exceed its mandate and invite jurisdictional conflict with RBI and state charity authorities. It calls for something narrower: a disclosure trigger that sits with the listed entity and is activated when a person or entity which controls its promoter undergoes a change in control, a material governance dispute, or a regulatory restraint with a clear bearing on that control, and is reportable by the listed company on the basis of information it can reasonably be expected to seek from its promoter.

This is close to how LODR's existing disclosure obligations already function: the obligation sits with the listed entity, but the trigger can originate upstream in connected or controlling persons. Extending the same logic to promoter-level control events would not be a radical departure from the LODR's architecture, but would complete it.

The timing is apt. The government has already introduced the Securities Markets Code, 2025, now before a parliamentary standing committee, to consolidate and modernize the foundational statutes underlying India's securities regulation. A code-level provision addressing promoter-level material events, rather than a piecemeal circular, would ensure that the fix survives the next round of holding-company litigation, whichever conglomerate it involves next.

The Tata Group's minority shareholders—and there are millions who hold Tata equity either directly and through mutual funds and insurance policies—have a clear interest in knowing who controls their companies' ultimate promoter and whether that control is secure, contested or under regulatory scrutiny. That interest does not currently show up anywhere in the disclosure regime built to protect it. It must. The earlier, the better.

This is the first of a two-part series.