



THEIR VIEW

Tata Sons' board meeting raises more questions than it answers

The manner in which its chairman was given another term on 17 September calls for every detail to be put under scrutiny



SUMIT AGRAWAL & M. DAMODARAN

are, respectively, managing partner, Regstreet Law Advisors and a former Sebi officer; and chairperson, Excellence Enablers, and former chairman, Sebi, UTI and IDBI.



Recent developments relating to the Board of Directors of Tata Sons, and the leadership of this unlisted entity, have thrown up more questions than answers. Some of the commentariat rushed to judgement without ascertaining the facts. In some cases, an affinity for one set of protagonists may have clouded judgement. What we attempt here is to address the questions and answer only those that are clear and likely to be uncontested.

Before embarking on this exercise, a disquieting development of the last couple of weeks deserves mention. Some very senior and distinguished lawyers appearing for the parties have, through the media, explained whom they represent and where they stand on aspects of this standoff. This is, mildly put, an unnecessary diversion, since there is no matter as yet in court, and advice tendered to either of the contending parties should remain between counsel and client. In a refreshingly different stance, Sudipto Sarkar, veteran barrister and distinguished long-time practitioner of corporate law, has declined to discuss the advice he gave, adding for good measure that, under the ethics of the English Bar, barristers do not talk to the press, certainly not about ongoing matters. As more lawyers get roped in, it would help if they refrained from premature statements that invite misinterpretation by reporters and analysts.

First, the facts. The second five-year term of N. Chandrasekaran (Chandra) as executive chairman expires in February 2027. For so high-profile an appointment, the formal process of succession planning should have commenced at least a year before the vacancy, though there have reportedly been informal conversations for close to a year. When the Board of Tata Sons met on 24 February 2026, one of the directors, who also chairs the two Trusts that together hold a majority of its shares, expressed reservations, citing the relatively poor performance of some group companies. From available reports, he did not turn down the proposal for a fresh term but put it on hold, asking for presentations on the business plans and future of at least three group entities. In short, there was no unanimous decision to give Chandra another term.

On 12 August 2026, citing the absence of unanimity and of a clear path forward in the six months since the February meeting, Chandra announced that he would not offer himself for another term. This was communicated to the Board, Trustees, employees and other stakeholders. The procedure for identifying a chairman is clearly laid out in the Articles of Association (AoA) of Tata Sons. A five-member selection committee, comprising *inter alia* three nominees of the Trusts, is responsible for scanning the universe and recommending a

suitable candidate. In the light of this provision, the argument that the Board was competent to give another term by way of extension does not survive scrutiny. Were that the case, the Article calling for a selection committee would be rendered irrelevant, and the role specifically assigned to the Trusts in that process negated.

The Trustees have been pre-empted from setting the selection in motion, since the Maharashtra Charity Commissioner has directed one of the two Trusts, the Sir Ratan Tata Trust, not to perform any of its functions till a matter pending before him is decided. The Trusts have sought relief to enable that Trust to nominate to the selection committee. It is possible to argue that a carve-out could have been made for that limited act, while the number of lifetime Trustees and any other matter before him are dealt with separately. Tata Sons, as an unlisted non-operating holding company, has responsibilities to a multitude of stakeholders, including shareholders of listed group companies. Public interest alone demands that the Charity Commissioner disposes of the matter expeditiously.

Six days before the Board meeting on 17 September 2026, the Reserve Bank of India (RBI) declined the request of Tata Sons, pending since March 2024, to surrender its registration as a core investment company. Since the Board agenda is usually sent out seven days in advance, it is an extraordinary coincidence that RBI's decision came a day after the agenda presumably went out, and some two-and-a-half years after the request was made.

The manner of voting on 17 September raises several significant questions. Some of the early reports erroneously claimed that Chandra had exercised a casting vote, when in fact he had, as an interested party, recused himself and requested one of the independent directors to chair the meeting.

So far, so good. Now comes the twist. By a majority of 4-1, the Board decided to give Chandra another five-year term as executive chairman from February 2027. What has appeared in the public domain is that the Nomination and Remuneration Committee (NRC) mentioned at the meeting that Chandra had agreed to another term. Was there a formal NRC decision and recommendation, made after Chandra formally confirmed his willingness, leading the Board to take up the matter?

The AoA specifically provide that in selecting a person as chairman, the affirmative vote of a

majority of the Trust-nominated directors present is required. While the Board could have recommended another term as director, subject to shareholder approval at an annual general meeting (AGM), it was not open to it to disregard that provision. Of the two Trust nominees present, one voted in favour and the other against. There was, therefore, no majority. Nor was there any occasion for a casting vote, since this was not a tie but an absence of majority, as the AoA clearly contemplate. Stranger still, the independent director chairing the meeting, knowing full well that he was not a Trust nominee, exercised a casting vote to resolve what was wrongly interpreted as a tie. Tata Sons is reportedly relying on a reading that a casting vote is available where the Trust nominees are equally divided, but that reading lets the chair override the very protection the majority requirement exists to provide. There seems to be considerable merit in the claim of Tata Trusts that the decision was *ab initio void*.

Several issues must be addressed within a limited time frame.

First, how does the company hold an AGM, required for adopting the accounts and for other important decisions? The Registrar of Companies has extended its deadline to December, but unless the Charity Commissioner decides the matter before him, there will be no quorum, just as on 18 August. *Second*, who will lead the Board after February 2027 if the selection committee has not concluded its work by then? Will there be an interim chairperson, as happened when Cyrus Mistry was unceremoniously shown the door and Ratan Tata returned as interim chairman, four years after he had exited? Would that do justice to the many stakeholders who want clarity on the leadership of the holding company and, through it, of the listed entities? *Third*, there is the question of retirement age. Ratan Tata gave up executive office on attaining the age of 65. A fresh five-year term would take Chandra well past 65. Is the Board waiving the group policy that 65 is the retirement age for executive office? It is not clear that this was adequately discussed on 17 September.

There is one uncomfortable question that refuses to go away. If the absence of unanimity was what persuaded Chandra to indicate, in unambiguous terms, that he was not available for another term, what changed? Clearly, there was no unanimity on 17 September 2026.