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TRUSTEES, DIRECTORS AND CORPORATE POWER: EXAMINING THE GOVERNANCE ARCHITECTURE OF TATA SONS

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Abstract

Tata Sons Private Limited is controlled through public charitable trusts that together hold roughly two-thirds of its equity. This article examines its governance as a layered arrangement in which trustees control the shareholder, nominee directors translate that shareholding into board action, and the Articles of Association set the rules between them. Drawing on the Articles, the Companies Act 2013 and the Supreme Court's 2021 judgment in *Tata Consultancy Services Ltd v Cyrus Investments Pvt Ltd*, it argues that the architecture is lawful but has no procedure for disagreement among its controllers. The 2026 chairmanship dispute and regulatory pressure over listing illustrate the problem. The article concludes that durable reform requires each layer of control to have a defined role, a lawful decision rule and credible accountability. The record is stated as at 6 November 2026, and contested matters are identified as reported positions.

Keywords*:* corporate governance; Tata Sons; charitable trusts; nominee directors; fiduciary duty; reserved voting rights; RBI regulation.

1. Introduction

Corporate governance scholarship has mostly studied dispersed-shareholder firms and family- or state-controlled firms. Tata Sons belongs to a rarer category: a company controlled by charity. About two-thirds of its equity is held by public charitable trusts, chiefly the Sir Dorabji Tata Trust (SDTT) and the Sir Ratan Tata Trust (SRTT), which act through a small number of trustees. Ultimate authority therefore rests with a handful of individuals rather than with market investors. Cyrus Mistry's removal as chairman in 2016, the litigation that ended in the Supreme Court's 2021 judgment,[1] and the 2024 succession of Noel Tata show how far this depends on people.

This article asks an architectural question: who holds power in Tata Sons, through which instruments, and subject to what checks? Trustees control the shareholder. Directors turn that shareholding into company action, owing duties to the company rather than to the shareholder. Corporate power is the set of vetoes, appointment rights and procedural levers that decide who prevails when these layers disagree. As at 6 November 2026, the chairmanship dispute remained unresolved.

2. Scope and Method

This is a doctrinal and institutional analysis of the Articles of Association, the Companies Act 2013, the Maharashtra Public Trusts Act 1950 and the regulatory instruments of the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI).[2] Tata Sons is unlisted and the Trusts do not disclose their deliberations, so much of the factual record comes from press reports and one side's statements. Such material is identified as reported or alleged, and figures from secondary compilations are flagged for verification. "Control" and "veto" are used descriptively and imply no wrongdoing.

3. Ownership and the Trust Layer

Tata Sons, established in 1917, is the principal holding company of the Tata group. Its own income is mainly dividends from operating companies, and it owns the Tata trademark. Reported figures place the SDTT at roughly 28 per cent and the SRTT at about 23.6 per cent,

[1] *Tata Consultancy Services Ltd v Cyrus Investments Pvt Ltd* (2021) 9 SCC 449.

[2] Companies Act 2013; Maharashtra Public Trusts Act 1950; Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015; Reserve Bank of India, Non-Banking Financial Companies (Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025 (updated 1 July 2026).

so the Tata Trusts together hold about 66 per cent.[3] A charitable trust has no owners in the commercial sense: its assets are constrained by its trust instrument and public-trust law, and its objects include philanthropy. Yet its votes are exercised through trustees whom the public shareholders did not choose. The result is a layered fiduciary structure. A trustee votes the Trusts' shares for charitable purposes; a director sits on the board for the company. The same person may occupy both roles, but the law treats them as different capacities.

Private status, adopted in 2017 and affirmed by the Supreme Court in 2021, permits share-transfer restrictions that a listed company could not maintain. It also keeps the company outside the disclosure regime for listed entities, which the RBI's listing requirement now puts under pressure. The SP Group, the largest minority holder, experiences the other side of this security. Its stake is illiquid under the transfer restrictions, so the listing question is also one of fairness between shareholders.

4. The Articles as Constitution

The Articles of Association convert ownership into board power. Four sets of provisions matter, as described in the 2021 judgment and in 2026 reporting. The consolidated text should be checked, since the company has reportedly begun reviewing the Articles clause by clause.[4]

Article 104B lets the Trusts nominate up to one-third of the board while they meet a prescribed shareholding threshold. Article 121 requires that majority board decisions also receive the affirmative vote of a majority of the Article 104B directors present, and gives the chairman a casting vote in case of equality. The central dispute is whether that casting vote can operate where two nominees split one to one. The Trusts say it cannot. The board's overall vote of four to one does not answer the point, because the overall tally does not show whether the nominee condition was met.

The design is structurally tense. Nominees exercise a protective right inside the board, yet they owe duties under section 166 of the Companies Act. Article 121 does not say whether a divided nominee vote is a failed condition or a tie. Article 118 governs the choice of chairman through a selection committee, and the parties disagree about whether it covers reappointment. Article

[3]Reported shareholding figures vary across press analyses and must be verified against Tata Sons' statutory filings before formal reliance. See Outlook Business, 'Tata Sons Voting Maths Goes Against Chandrasekaran's Third-Term Bid' (19 September 2026).

[4]Outlook Business, 'Tata Sons Opens Review Of Articles To Meet Sebi Norms, Trusts' Nomination Powers May Change' (19 October 2026).

86 requires the two principal Trusts to nominate a general-meeting representative jointly, a point that became practical when the August 2026 AGM was adjourned for want of quorum.

Together, the Articles give the Trusts a board presence proportionate to their stake, a board veto and a role in leadership selection. They give the company a closed shareholder base. What they do not provide is a procedure for when the Trusts themselves disagree. That omission is the architecture's central weakness.

5. Judicial Validation: The Mistry Litigation

The board removed Cyrus Mistry as executive chairman on 24 October 2016. After the NCLAT reversed the NCLT's dismissal of his challenge in 2019, the Supreme Court in 2021 upheld Tata Sons' appeals. It confirmed the board's authority to remove him, found insufficient evidence of oppression,[5] upheld the Articles, including the majority's affirmative voting rights and transfer restrictions, affirmed private status, and held that the NCLAT had exceeded its authority by granting relief that had not been sought.

The judgment validated the architecture but did not decide how it behaves when its controllers disagree. Its reasoning assumed that the Trusts act as one cohesive controlling shareholder. It did not consider nominees splitting, trustees litigating against one another, or a regulatory push towards a listing that would require the Articles to be rewritten.

The Trusts now argue that Tata Sons defended the nominees' affirmative rights before the Supreme Court and cannot now disregard them. Tata Sons replies that the Articles must be read as a whole, and that a reading allowing one nominee to veto the board would paralyse the company. Doctrinally, the Trusts' point is stronger as an argument about consistent interpretation than as strict estoppel, since the 2021 Court construed the Articles in a different dispute.

6. Nominee Directors and Fiduciary Duty

The nominee director is an old corporate compromise. A large shareholder wants a voice on the board, but company law insists that a director's loyalty runs to the company. The Companies Act 2013 gives nominees no lesser standard, requiring good faith, independent judgment and the avoidance of conflicts.[6] English authority, persuasive in India, reinforces this. A nominee

[5] *Ebrahimi v Westbourne Galleries Ltd* [1973] AC 360 (HL); *Needle Industries (India) Ltd v Needle Industries Newey (India) Holding Ltd* (1981) 3 SCC 333.

[6] Companies Act 2013, s 166(2)–(4).

must give priority to the company's interests over those of the appointor,[7] and may consider the appointor's interests only where doing so is not contrary to the company's interests.[8]

At Tata Sons this tension became live in September 2026. According to reports, the SDTT adopted a circular resolution proposing that Venu Srinivasan recuse himself from listing deliberations, because his support for listing contradicted the Trusts' position.[9] Srinivasan objected that this restricted his independent judgment as a director and voted at the 17 September meeting.

The episode exposes the core question. If the Trusts may instruct their nominees, Article 121 is a veto exercised through agents. If nominees must exercise independent judgment, it is a director-level safeguard whose holders may disagree with their appointors. Senior counsel have taken positions that track each reading.[10] The law favours independent judgment, yet the Trusts retain the practical power to decline to renominate a director who departs from their position. That formal duty and practical control point in opposite directions is the core of the fiduciary problem.

7. The Trusts as Governors

The SDTT and SRTT are public charitable trusts supervised by the Charity Commissioner under Maharashtra law.[11] That supervision now has corporate effects. In May 2026 the Commissioner restrained meetings of the SRTT pending an inquiry. The SRTT argued that this prevented trustees from approving its response, and the proceedings were reported as continuing into December 2026.[12] A restriction at trust level can therefore impair the exercise of rights within a company the trust controls. Darius Khambata's reported decision, announced on 2 November, not to seek renewed trusteeship, citing trustee independence, is not a finding

[7]*Kuwait Asia Bank EC v National Mutual Life Nominees Ltd* [1991] 1 AC 187 (PC).

[8]*Hawkes v Cuddy (No 2)* [2009] EWCA Civ 291.

[9]Business Standard, 'Chandra's third term: Why Tata Trusts and Tata Sons read the rules differently' (22 September 2026).

[10]BusinessToday, 'Tata Sons battle: Abhishek Manu Singhvi vs Harish Salve. Who said what' (25 September 2026).

[11]Maharashtra Public Trusts Act 1950.

[12]Mint, 'SRTT tells charity commissioner its order restricts further action on Mehli reply' (5 November 2026).

against anyone. It does, however, show the same tension between institutional judgment and reappointment.[13]

The effects reach the company. The AGM, adjourned in August, was given until 31 December 2026 to be held.[14] If a shareholder cannot make or communicate a decision under its governing instruments, the company may be unable to conduct ordinary business, even though the Trusts still own the shares.

8. Regulatory Pressure and Listing

Tata Sons was placed in the upper layer of the RBI's scale-based regulation for non-banking financial companies in September 2022, and it remains on the 2026–27 list as a core investment company.[15] Its three-year listing timetable lapsed in September 2025. In March 2024 it applied to surrender its core investment company registration. Reports indicate that the RBI rejected that application on 11 September 2026.[16] To describe a lawful application for a different classification as evasion would be too categorical. Whether another regime applies is for the RBI to decide on the facts. The Trusts' September 2026 proposal to amalgamate two subsidiaries into Tata Sons, so that its principal business is no longer financial, requires company approvals and a prior RBI no-objection. No final approval had been verified by 6 November 2026.[17]

Listing would require rewriting the constitution. Special shareholder rights would require shareholder approval by special resolution at five-year intervals under regulation 31B of the SEBI Listing Regulations, subject to exceptions.[18] Board and disclosure requirements would become materially more demanding, and related-party dealings and trust-linked influence would face greater scrutiny. A listing does not eliminate controlling-shareholder power. It makes that power visible and reviewable.

[13]Indian Express, 'Darius Khambata declines reappointment to Tata Trusts' (2 November 2026).

[14]Business Standard, 'Registrar of Companies grants three months to Tata Sons for AGM' (28 August 2026).

[15]Reserve Bank of India, 'NBFCs in the Upper Layer for 2026–27' (press release, 6 August 2026).

[16]Business Standard, 'RBI asks Tata Sons to list: A timeline of the long regulatory tussle' (13 September 2026).

[17]Tata Trusts, 'Tata Trusts propose a Strategic Reorganisation for Tata Sons Private Limited' (28 September 2026).

[18]Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, reg 31B.

The RBI's concern is systemic risk, but its classification converts a prudential question into constitutional pressure. The Trusts fear that listing would erode the model that made the group what it is. The SP Group argues that a company of this scale should face market discipline and that minority shareholders deserve a route to liquidity. Both positions are principled. What is hard to defend is a drift in which regulatory outcomes are shaped by litigation among trustees.

9. The 2026 Chairmanship Dispute

On 17 September 2026 the Tata Sons board resolved, by four votes to one, to give Chandrasekaran a further five-year term from February 2027. Noel Tata dissented, Srinivasan voted in favour, and Chandrasekaran took no part. The Trusts called the resolution illegal and later void ab initio.[19] Tata Sons subsequently filed a statutory resolution on the reappointment. Later events, including Khambata's decision and new court proceedings, do not resolve the September vote.

Three questions carry most of the weight. First, what is a majority of nominees when there are two? The Trusts say one is not a majority, so the second limb fails. Tata Sons says a one-to-one division is a tie that the casting vote breaks. The Trusts' reading gives each limb independent effect. Whether the casting vote operates at board or nominee level turns on the precise text, which is not public in full.

Second, which article governs reappointment? If Article 118 applies, a selection-committee process was required. The Trusts point to the 2022 minutes, which record the reappointment as made under Article 118. A prior course of dealing is not conclusive, but a company that departs from its own earlier characterisation needs to explain why. Third, was the process regular? Noel Tata's complaint that the item was not on the agenda engages the Companies Act and Secretarial Standard 1, which generally require business to be set out in the notice. The company's answer is that the board had asked the chairman to reconsider and was entitled to take up the matter. These points are secondary to Article 121, but a tribunal wishing to decide narrowly might prefer them.

The chairman must also be a director, and directorships are held by rotation subject to an AGM vote, where the arithmetic is unfavourable unless the SRTT's restraint is lifted. The chairmanship and the directorship therefore cannot be separated in practice.

[19]Tata Trusts, 'No Deadlock at the Board Meeting on September 17, 2026' (20 September 2026).

Forums are multiplying. Sections 241 and 242 of the Companies Act provide an oppression-and-mismanagement remedy before the NCLT, and section 430 restricts ordinary civil-court jurisdiction over matters entrusted to the tribunal.[20] A Bombay High Court writ petition, reported on 6 November 2026, challenges aspects of governance and the company's private status and seeks directions on listing.[21] Its merits require independent judicial determination, and it does not itself displace the 2021 holding.

10. Evaluating the Architecture

The design has real strengths. It has kept ownership stable for decades, shielded the group from hostile bids, tied much of its wealth to philanthropy and allowed long-horizon investment. Since 2017 the chairman's office has been separate from the chair of the Trusts, so the executive head's mandate rests on a board decision rather than on personal succession.

The weaknesses are equally visible. Article 121 does not address a one-to-one nominee split. Beneficiaries of the charitable objects have no shareholder vote, though trustee decisions shape control. Nominees owe duties to Tata Sons even when appointed to safeguard the Trusts. Informal consensus has replaced procedure in places, leaving successors to reconstruct it. Transfer restrictions limit the SP Group's exit, and limited disclosure magnifies disagreement. The 2026 events illustrate the last two weaknesses, although they do not establish misconduct by any individual.

Comparative work on foundation-owned firms supports institutional separation rather than an automatic public float. Internal design and the independence of foundation governance matter, and foundation ownership need not be inherently inefficient.[22] Tata Sons therefore needs tailored mechanisms rather than transplanted foundation law. Several reforms can be combined: a precise nominee-vote provision; a nominee-director protocol separating consultation from binding instruction; trust-level rules on tenure, succession and conflicts; a listing with legally reviewed special rights; and a transparent RBI determination of the applicable classification.

[20]Companies Act 2013, ss 241, 242, 430.

[21]LiveLaw Business, 'Plea Before Bombay High Court Seeks Direction To RBI For Tata Sons' Listing' (6 November 2026).

[22]Hansmann H and Thomsen S, 'The Governance of Foundation-Owned Firms' (2021) 13(1) Journal of Legal Analysis 172; Thomsen S and Rose C, 'Foundation Ownership and Financial Performance: Do Companies Need Owners?' (2004) 18(3) European Journal of Law and Economics 343.

11. Conclusion

Tata Sons' architecture links charitable ownership to board-level approval. The 2021 judgment confirmed its lawfulness but not how it works when controllers disagree. Events through 6 November 2026 show how far corporate decision-making depends on procedures at the trust layer. A durable solution would distinguish a failure to obtain an affirmative vote from genuine deadlock, preserve nominee directors' duties to the company, provide transparent succession and conflict procedures, and test listing and restructuring against the law in force. Layered control is a strength only where each layer has a defined role, a lawful decision rule and credible means of accountability.