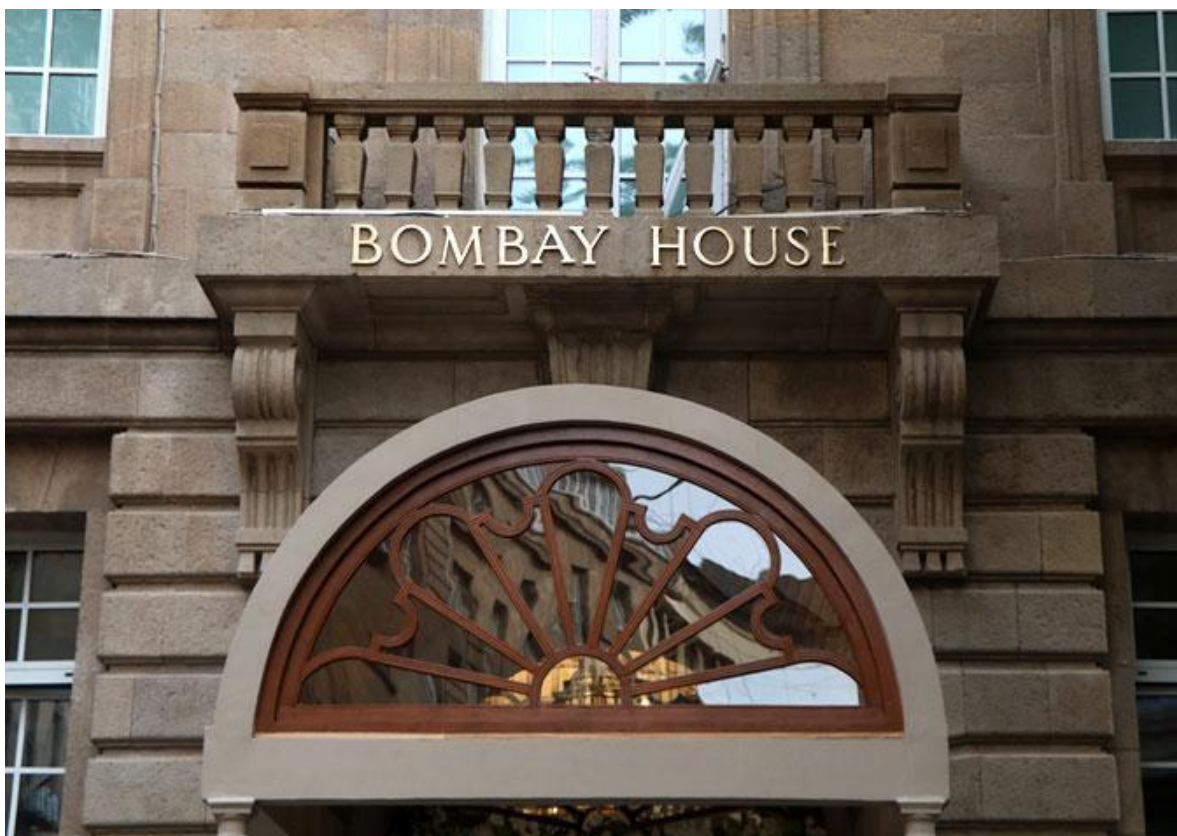


Tata Sons: Directors vote against the controlling shareholder

In possibly a first, a set of directors have taken decisions that are not supported by the company's controlling shareholder. These choices run counter to the intent of Tata Sons' Articles of Association and contravene the Group's stated policies. Irrespective of the merits and legality of these decisions, they change the structure of a 100+ year old group – all this in a few hours and in one board meeting. It is unclear how the board expects these decisions to survive a shareholder vote.



Source: rediff.com

It is unfortunate that the battle at Tata Trusts has found its way to the boardroom of Tata Sons¹. Tata Sons' board made two critical decisions at its 17 September 2026 board meeting: first, to reappoint N Chandrasekharan (Chandra) for a third term, and second, to "initiate steps to comply with the applicable RBI Guidelines" – effectively communicating that it is open to listing Tata Sons.

Both decisions were made without the support of Noel Tata, who is the Chairperson of Tata Trusts that control 66% of Tata Sons' equity and voting rights. Tata Trusts have

¹ Tata Investment Corporation, a part of the Tata Group, is one of IiAS' shareholders.

board nomination rights, quorum rights, and veto rights that have been embedded into Tata Sons' Articles of Association (AoA)². Therefore, any decision made without the support of Tata Trusts would not work, independent of its merits and legality.

The rationale for Chandra's re-election to a third term remains unclear, particularly after his public announcement that he would not seek it. In about two years, he will reach the Tata Group's mandatory retirement age (65 years) for executive directors. By reappointing him for a third term, the board of the Group's apex company has effectively disregarded its own policies, sending a troubling signal across the organization: that policies can be conveniently ignored.

The rationale for rushing this move remains unclear. A more pragmatic course would have been to extend Chandra's term only until the Trusts resolved their issues with the Charity Commissioner and established a Selection Committee, as required under Tata Sons' Articles of Association², to identify his successor. That would have implied an extension of six months to a year, rather than a full five-year term. Equally puzzling is Chandra's acceptance of the extended tenure, given his earlier voluntary and unsolicited public announcement that he would not continue for a third consecutive term.

The board's second move was to initiate steps toward complying with RBI guidelines. RBI had rejected Tata Sons' attempt to surrender its CIC registration, which means the company may eventually be compelled to list on stock exchanges — despite its long-standing position against listing. Notably, both Venu Srinivasan and Chandra have served on RBI's Central Board of Directors, yet their past association does not appear to have advanced Tata Sons' concerns with the regulator. Noel Tata highlighted yesterday in his statement, "The very same RBI Scale Based Regulations that require an Upper Layer-NBFC to mandatorily list also expressly provide that an Upper Layer-NBFC can move out of the enhanced regulatory framework if the movement is on account of voluntary strategic move to readjust operations as per a Board approved policy." Against this backdrop, it remains unclear whether the board fully explored all possible alternatives during its brief deliberations.

The board took both these decisions despite Noel Tata opposing them. Venu Srinivasan and Noel Tata are nominees of Tata Sons. Media reports suggest that Venu Srinivasan supported Chandra's reappointment while Noel Tata opposed it. Noel Tata is the Chairperson of the Tata Trusts and therefore, his view should carry more weight. On the other hand, [media reports](#) suggest that Sir Dorabji Tata Trust (SDTT) had barred Venu Srinivasan from voting in the September 17th board meeting – and therefore, the validity of his vote is called into question. We are not arguing who is right, just that despite both Tata Trust nominees not forming consensus, the board took decisions that may not carry

² Source: Supreme Court judgement in the case of *Tata Consultancy Services Limited vs Cyrus Investments Pvt Ltd* on 26 March 2021

if voted on, rather than having them deferred till consensus between the two Tata Trust nominees was reached.

Tata Sons' board has violated the basic governance principle of shareholder supremacy. The mutiny of the board against the controlling shareholder is possibly a first, and not the right precedent for corporate India. Will corporate India now have a set of independent directors making decisions that the promoter does not agree with?

Both decisions taken by the board will eventually need shareholder approval to go through. With Noel Tata clearly opposing both these decisions, they are unlikely to get shareholder support, irrespective of whether the decisions have merit or not. That being the case, the decisions are a limited "win" for the board.

Independent of the merits and legality of the decisions taken, Tata Sons' board has shown poor judgment in the choices made at its 17 September 2026 board meeting. Its actions appear rushed, undermining the principle of thoughtful deliberation. In doing so, the board has disregarded the intent of Tata Sons' Articles of Association — legal opinions notwithstanding — and strayed from the Group's own policies. For an institution that has long prided itself on doing what is right, even at a cost, this marks a troubling lapse and a dismal performance by its leadership.

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