CORPORATE GOVERNANCE AND MINORITY SHAREHOLDER PROTECTION IN INDIA: AN ASSESSMENT OF LEGAL REMEDIES AND NCLT INTERVENTION

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ABSTRACT

Minority shareholder protection is essential to corporate governance, particularly in companies where majority shareholders concentrate ownership and management control. Although company law recognises the principle of majority rule, the unrestricted exercise of majority powers may unfairly treat minority shareholders and adversely affect their financial and legal interests. These practices could include exclusion from management, improper allocation of shares, watering down of voting rights, diversion of corporate assets and denial of access to important information of the company. The Companies Act, 2013 provides for statutory protection against such practices under its provisions relating to oppression and mismanagement, i.e. under Sections 241 and 242. The National Company Law Tribunal (NCLT) has been vested with the powers to examine grievances and to provide suitable relief to the aggrieved shareholders.

The paper analyses the legal regime in India for the protection of minority shareholders with particular reference to the scope of oppression and mismanagement, the remedial jurisdiction of the NCLT and the effectiveness of existing statutory safeguards. The paper covers the important cases of Shanti Prasad Jain v. Kalinga Tubes Ltd., Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd., Dale & Carrington Investment (P) Ltd. v. P.K. Prathapan and Tata Consultancy Services Ltd. v. Cyrus Investments Pvt. Ltd.

The paper also undertakes a comparative study of the legal approaches in the United Kingdom and Australia to find possible improvements in the Indian framework. The study shows that

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despite the Companies Act, 2013 providing substantial remedial powers, practical difficulties relating to eligibility requirements, evidentiary burdens, litigation delays, and share valuation continue to affect the effectiveness of minority shareholder protection. In an effort to strike a fair balance between majority control and minority shareholder rights, the paper recommends procedural improvements, transparent valuation mechanisms and stronger enforcement of tribunal orders.

Keywords: Minority Shareholders, Oppression, Mismanagement, National Company Law Tribunal, Corporate Governance, Corporate Accountability.

I. Introduction

A company is an artificial legal person recognised by law, having a separate legal identity, perpetual succession and the capacity to own property, enter into contracts and conduct business in its own name.[3] The ownership of a company is divided into shares, which may be held by individuals, institutions or other corporate entities. Although shareholders collectively constitute the ownership structure of a company, the actual management and control of its affairs are generally exercised through the Board of Directors. In companies having a concentrated ownership structure, majority shareholders often exercise considerable influence over the appointment of directors, formulation of business policies and important corporate decisions. The principle of majority rule occupies an important position in company law. Ordinarily, decisions taken by the majority in accordance with the Companies Act, 2013 and the articles of association are binding on the shareholders. This principle is necessary for the effective functioning of companies because it prevents individual shareholders from obstructing legitimate corporate decisions. But the rule of the majority cannot be considered an unfettered right to enjoy the power of the corporation for personal interests. When majority shareholders use their voting power or managerial influence to defeat the legitimate rights and interests of minority shareholders, the principle of majority rule may become an instrument of oppression.

Minority shareholders are typically those who do not have enough voting power to make or control corporate decisions on their own. They are not able to elect directors, vote on resolutions or influence key decisions of management, since their voting rights are restricted. This is more relevant in closely held companies and family-owned businesses where the control is in the hands of a few promoters or family members. Minority shareholders may

[3] *Salomon v. A. Salomon & Co.*, [1897] A.C. 22 (H.L.).

invest substantial amounts in such companies but have limited opportunities to participate in management or protect their interests when disputes arise. The issues faced by the minority shareholders are not only about the differences in business decisions. These may include, but are not limited to, intentional denial of management, unequal distribution of shares, erosion of voting rights, misappropriation of corporate assets, refusal of access to company information and transactions made for the private benefit of controlling shareholders. In certain circumstances, majority shareholders may also attempt to compel minority shareholders to sell their shares at an unfair price by making continued participation in the company commercially or practically difficult.

To check such practices, the Companies Act, 2013 has provided a statutory machinery under Chapter XVI for the prevention of oppression and mismanagement. The eligible members can approach the NCLT and seek appropriate remedies under Sections 241 to 246, which provide the legal framework. These provisions are intended to maintain a balance between majority control and minority shareholder rights while ensuring that the affairs of a company are conducted fairly and lawfully. Another important development in Indian Company Law was the establishment of NCLT. It provided a specialist forum for the determination of disputes relating to companies and gave the Tribunal extensive powers to regulate the affairs of companies, order the purchase of shares, remove directors and grant other appropriate relief. But the existence of statutory remedies does not necessarily mean that protection is effective. Minority shareholders may face difficulties in satisfying eligibility requirements, collecting documentary evidence, bearing litigation expenses and obtaining timely relief. The Supreme Court's verdict in the Tata Sons and Cyrus Mistry[4] dispute attracted a lot of focus on how Sections 241 and 242 work in practice. This was a clear example of the problem of balancing the rights of minority shareholders with the independence of corporate management. The judgment also raised important questions regarding the extent to which the NCLT can intervene in management decisions and the circumstances in which the removal of a director may amount to oppression.[5] The current study uses doctrinal and comparative legal research. It looks at the provisions of the Companies Act, 2013, the relevant judicial decisions and the legal approaches adopted in selected foreign jurisdictions. The principal objective is to determine whether the existing statutory framework provides meaningful protection to minority shareholders and whether improvements are necessary to make the remedies available before the NCLT more effective.

[4] *Tata Consultancy Services Ltd. v. Cyrus Investments Pvt. Ltd.*, (2021) 9 SCC 449 (India).
[5] The Companies Act, No. 18 of 2013, §§ 241–242, INDIA CODE (2013).

II. Concept and Principles of Minority Shareholders' Protection

The protection of minority shareholders is based on the principle that all shareholders should be treated fairly irrespective of the number of shares they own. The fact that another shareholder has more voting power does not deprive a shareholder with a smaller percentage of the company's capital of the statutory rights attached to membership. Such rights include participation in general meetings, voting on resolutions, receiving dividends when declared, inspecting specified company records and obtaining information in accordance with applicable law.[6] The principle of majority rule is traditionally associated with Foss v Harbottle, which held that where a wrong is done to a company, the company itself is prima facie the proper person to sue. Courts, as a rule, do not interfere with internal decisions on management taken in accordance with the law.[7] This principle is important because a company must be allowed to function without every internal disagreement becoming a legal dispute.

However, the principle may create difficulties where the persons responsible for the alleged wrongdoing are themselves in control of the company. The majority may refuse to initiate proceedings against its own members or directors, even where corporate interests have been adversely affected. In such circumstances, minority shareholders may be left without an effective remedy if they are required to depend entirely on the company to take action. Company law has therefore developed exceptions and statutory mechanisms to prevent the misuse of majority powers. Such a mechanism is a remedy against oppression and mismanagement. It allows eligible members to approach the Tribunal when the company's affairs are conducted in a manner that prejudices their interests or the interests of the company. Oppression is usually used to refer to behaviour that is oppressive, harsh or unjust to members. This may occur where majority shareholders intentionally use their power to exclude minority shareholders from existing management structures, to rig voting rights or to obtain personal advantages by corporate decisions. But not all shareholder conflicts amount to oppression. A difference of opinion regarding business policy, management decisions or the distribution of profits cannot automatically be treated as an oppressive act.[8]

Mismanagement, in contrast, usually involves the improper or prejudicial conduct of the business of the company. It can include diversion of corporate funds, serious financial irregularities, misuse of management powers, fraudulent transactions or decisions which result

[6] The Companies Act, No. 18 of 2013, §§ 47, 96, 94, 123, 136, INDIA CODE (2013).
[7] *Foss v. Harbottle*, (1843) 2 Hare 461, 67 Eng. Rep. 189 (Ch.).
[8] *Shanti Prasad Jain v. Kalinga Tubes Ltd.*, AIR 1965 SC 1535 (India).

in substantial and avoidable losses to the company. A distinction must nevertheless be maintained between genuine commercial failure and legal mismanagement. A business decision that results in losses does not automatically establish mismanagement because directors are required to make commercial decisions involving financial risks. Thus, the need for a careful balance in the protection of minority shareholders.[9] The law needs to prevent majority shareholders from abusing their power but at the same time protect the legitimate freedom of companies to do business and make independent commercial decisions. The purpose of statutory intervention is not to transfer management control to minority shareholders but to ensure that corporate powers are exercised fairly, lawfully and in accordance with the interests of the company and its members.

III. Legal Regime Under Companies Act, 2013

The main statutory regime for dealing with oppression and mismanagement in India is provided under the Companies Act, 2013. Chapter XVI contains Sections 241 to 246, which establish the rights of members, the jurisdiction of the NCLT and the remedies available in appropriate cases.[10] Section 241 provides a statutory basis for commencement of proceedings against oppression and mismanagement. Section 241(1) provides that any member who satisfies the requirements of Section 244 may apply to the Tribunal if the affairs of the company have been or are being conducted in a manner prejudicial to public interest, prejudicial or oppressive to the applicant or other members or prejudicial to the interests of the company. The provision also covers certain material changes in the management or control of the company where such changes are likely to result in the company's affairs being conducted in a prejudicial manner.[11] Section 241 is important in that it protects against the misuse of corporate power. And the minority shareholder, who is unable to influence management decisions by ordinary voting procedures, need not be left without a remedy when the majority is unfair. The provision recognises that corporate management must operate within legal limits and that the interests of members cannot be ignored merely because they constitute a smaller group of shareholders. Section 242 empowers the NCLT with wide remedial powers. The Tribunal may grant relief if it is satisfied that the company's affairs are being conducted in a manner that is prejudicial or oppressive and that winding up the company would unfairly prejudice the affected members, although the circumstances would otherwise justify a winding-up order on just and equitable grounds. Instead of ordering the closure of the

[9] *Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd.*, (1981) 3 SCC 333 (India).
[10] The Companies Act, No. 18 of 2013, ch. XVI, §§ 241–246, INDIA CODE (2013).
[11] The Companies Act, No. 18 of 2013, § 241(1), INDIA CODE (2013).

company, the Tribunal may pass appropriate orders to bring the oppressive conduct to an end.[12]

The powers under Section 242 include regulating the conduct of the affairs of the company in future, directing the purchase of shares or interests of members by other members or by the company, restricting the transfer or allotment of shares, terminating or modifying certain agreements and removing directors or managerial personnel in appropriate circumstances. The Tribunal may also order the recovery of any undue gains made by directors and managers and pass such other orders as may be necessary for dealing with the circumstances of the case.[13] Such powers are important because shareholder disputes cannot always be solved by one type of relief. In some cases, restoration of management arrangements may be appropriate, whereas in others, a fair exit through purchase of shares may provide a more practical solution. Section 243 provides for the consequences of termination or alteration of certain agreements under Section 242. It sets out the legal effects of these orders, such as restrictions on future appointments of directors in certain situations. This provision supports the effective implementation of orders passed to address oppressive or prejudicial corporate conduct. Section 244 prescribes the eligibility requirements for filing an application under Section 241. In the case of a company having share capital, an application may be made by not less than 100 members or not less than one-tenth of the total number of members, whichever is less, or by a member or members holding not less than one-tenth of the issued share capital, subject to payment of all calls and other sums due on their shares. In a company without share capital, not less than one-fifth of the total number of members may apply. However, the proviso to Section 244 confers power upon the Tribunal to dispense with all or any of these requirements.[14] This waiver provision is particularly relevant because minority shareholders may otherwise be prevented from seeking relief due to the numerical or shareholding thresholds. Section 245 introduces the concept of class action proceedings in Indian company law. It allows the specified number of members or depositors to approach the Tribunal when the management or conduct of the affairs of the company is prejudicial to the interests of the company, its members or depositors.

The provision enables applicants to seek orders restraining unlawful acts, challenging resolutions obtained through suppression of material facts or misrepresentation and claiming compensation for specified wrongful acts. It also provides a mechanism for claims against the company, directors, auditors, experts and advisers in circumstances covered by the section.

[12] The Companies Act, No. 18 of 2013, § 242(1), INDIA CODE (2013).
[13] The Companies Act, No. 18 of 2013, § 242(2), INDIA CODE (2013).
[14] The Companies Act, No. 18 of 2013, § 244(1), INDIA CODE (2013).

The class action proceedings are introduced in recognition of the fact that corporate misconduct could affect a large number of investors and that the collective legal action could be more effective than the individual proceedings.[15] Section 246 further provides for the application of specified provisions relating to fraudulent conduct and related matters to proceedings under Sections 241 and 245, subject to the statutory framework. Taken together, these provisions provide an important statutory framework for the protection of minority shareholders. However, the effectiveness of the framework depends on the interpretation of the provisions by courts and tribunals, the accessibility of the remedies and the practical enforcement of orders passed by the NCLT.

IV. Oppression and Mismanagement: Scope and Construction

Judicial interpretation has contributed a great deal to the development of the concepts of oppression and mismanagement. The Companies Act, 2013 has not exhaustively defined oppression. Accordingly, courts and tribunals have an important role to play in determining whether the conduct complained of satisfies the statutory requirements. The distinction between ordinary corporate disagreements and oppressive conduct is particularly important because the remedy under Sections 241 and 242 is not intended to interfere with every decision taken by the majority. In Shanti Prasad Jain v. Kalinga Tubes Ltd., the Supreme Court discussed what was meant by oppression under the Companies Act, 1956. The Court stated that oppression requires conduct that is burdensome, harsh and wrongful. It also underlined that shareholders' disagreement or dissatisfaction with the company's management would not suffice. The conduct must be viewed in its entirety, including whether there is a continuing course of unfair treatment.[16] This decision remains an important authority for understanding the nature of oppression under the present legislation.

The issue of unfair share allotment and dilution of minority shareholding was considered in *Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd.* The dispute concerned the allotment of additional shares and its effect on the shareholding position of certain members. The Supreme Court recognised that the exercise of powers relating to the issue of shares must be undertaken for a proper corporate purpose. An allotment may affect the voting position of certain shareholders without necessarily constituting oppression. However, directors cannot use their powers for an improper purpose or use the allotment of

[15] The Companies Act, No. 18 of 2013, § 245(1), (3), INDIA CODE (2013); Companies (Management and Administration) Rules, 2014, r. 84.

[16] *Shanti Prasad Jain v. Kalinga Tubes Ltd.*, AIR 1965 SC 1535, 1965 SCR (2) 720 (India).

shares as a means of unfairly changing the control of the company.[17] The judgment establishes that the circumstances and purpose of a share allotment are relevant when determining whether minority shareholders have been unfairly treated. Similarly, in Dale & Carrington Investment (P) Ltd. v. P.K. Prathapan, the Supreme Court dealt with the abuse of powers in the matter of allotment of shares. The Court pointed out that directors occupy fiduciary positions and must exercise their powers for the benefit of the company. The power to issue shares shall not be used to gain personal control or to unfairly alter the voting position of existing shareholders.[18] The decision is particularly important because it recognises that the improper exercise of managerial powers may amount to oppression and justify judicial intervention.

The Supreme Court in Sangramsinh P. Gaekwad v. Shantadevi P. Gaekwad discussed the conditions necessary for proving oppression and mismanagement. The Court again noted that the statutory remedy is not designed to settle every dispute between shareholders. The applicant must demonstrate conduct which falls within the legal definition of oppression. The overall circumstances, relationship between the parties and nature of the alleged conduct must be considered while determining whether relief is justified.[19] A landmark development in the interpretation of minority shareholder rights came in the case of Tata Consultancy Services Ltd. v. Cyrus Investments Pvt. Ltd. The row began after Cyrus Mistry was removed as Executive Chairman of Tata Sons. The proceedings filed before NCLT under Sections 241 and 242 read with Section 244 of the Companies Act, 2013 were in respect of the minority stake held by the Shapoorji Pallonji Group associated companies in Tata Sons. The applicants raised allegations concerning corporate governance, management decisions, the exercise of majority control and the circumstances surrounding the removal of the Executive Chairman.[20] The NCLT had initially dismissed the claims, but the NCLAT has since given significant relief, including directions on the reinstatement of Cyrus Mistry. The matter was challenged before the Supreme Court, and the Supreme Court, in its judgment dated 26 March 2021, set aside the directions of the NCLAT.[21] The Court explained that the mere fact that a director or executive chairman is dismissed is not oppressive. The relevant question is whether the conduct of the company's affairs satisfies the statutory requirements relating to oppression or prejudice against members. The judgment also emphasised that the Tribunal cannot substitute

[17] *Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd.*, (1981) 3 SCC 333 (India).
[18] *Dale & Carrington Investment (P) Ltd. v. P.K. Prathapan*, (2005) 1 SCC 212 (India).
[19] *Sangramsinh P. Gaekwad v. Shantadevi P. Gaekwad*, (2005) 11 SCC 314 (India).
[20] *Tata Consultancy Services Ltd. v. Cyrus Investments Pvt. Ltd.*, (2021) 9 SCC 449 (India).
[21] *Id.*

its own commercial judgment for that of the Board of Directors merely because a particular decision is disputed by minority shareholders. At the same time, the decision does not provide unrestricted protection to majority shareholders. Where a management decision is part of a wider course of conduct intended to prejudice minority members, the Tribunal may examine the matter under the applicable statutory provisions. These decisions demonstrate that the legal concept of oppression and mismanagement is founded on fairness, proper exercise of corporate powers and protection of legitimate shareholders' interests. The courts have attempted to ensure that minority shareholders receive appropriate protection without converting company law proceedings into a mechanism for challenging every internal management decision.

V. Judicial Pronouncements on Minority Shareholder Rights

Judicial decisions have played a central role in developing minority shareholder protection in India. Since the statutory provisions do not exhaustively explain every form of oppressive or prejudicial conduct, judicial interpretation has helped establish the standards applicable to shareholder disputes. The traditional principle was established in Foss v. Harbottle that the company is normally the appropriate party to bring an action for wrongs done to it.[22] This principle underlies the internal governance of companies and acknowledges the power of the majority decision. But the rule may be insufficient where the alleged wrongdoers are in control of the company and prevent it from taking legal action. Statutory remedies against oppression and mismanagement therefore provide an important safeguard against situations in which majority control may otherwise defeat corporate accountability.

In Scottish Co-operative Wholesale Society Ltd. v. Meyer, the House of Lords dealt with situations of unfair treatment in the running of a company. The decision is important in the development of the understanding that conduct may be oppressive where controlling shareholders use their influence in a way that unfairly disadvantages other members. It demonstrates the importance of examining the practical effect of corporate conduct rather than relying exclusively on formal compliance.[23] The House of Lords decision in *Ebrahimi v. Westbourne Galleries Ltd.* is also relevant to minority shareholder protection. The case concerned a company in which the relationship between the participants had features resembling a partnership. The Court recognised that the principle of fairness and equity may require consideration of the personal relationship and legitimate expectations among the

[22] *Foss v. Harbottle*, (1843) 2 Hare 461, 67 Eng. Rep. 189 (Ch.).
[23] *Scottish Co-operative Wholesale Society Ltd. v. Meyer*, [1959] A.C. 324 (H.L.).

members, particularly in the case of closely held companies. This decision is relevant to Indian company law because disputes in family-owned and closely held companies may involve expectations of participation in management that are not always reflected in the formal shareholding structure.[24]

The meaning of unfair prejudice under United Kingdom company law was considered by the House of Lords in O'Neill v Phillips. The decision made it clear that unfairness had to be judged with reference to the legal rights and equitable understanding that governed the relationship between the shareholders. A member is not entitled to rely on an unfair prejudice merely because an expectation has not been met; the expectation must be based on due law or equity.[25] This provides an important comparative perspective for determining the limits of minority shareholder protection. In the Indian context, the decision in Needle Industries shows that the question of shares has to be considered with reference to the purpose for which the power was exercised. Similarly, Dale & Carrington states that directors are not allowed to exercise their fiduciary powers to obtain personal benefits at the expense of the company or other members.[26] These principles are particularly relevant in cases involving preferential allotments, changes in voting rights and transactions that may alter corporate control.

The Tata-Cyrus dispute also illustrates the significance of the evidence and statutory requirements for proving oppression. The Supreme Court approach implies that a minority shareholder must prove more than the fact that he is dissatisfied with the management decisions of the majority. The alleged conduct has to be examined in the light of the rights of members and the interests of the company. This approach protects legitimate corporate autonomy while preserving the possibility of intervention where genuine oppression or mismanagement is established.[27] Taken together, these judicial decisions establish that minority shareholder protection cannot be understood merely as a numerical question based on the percentage of shares held. It is also concerned with the fairness of corporate conduct, the proper exercise of fiduciary powers and the prevention of misuse of managerial authority.[28]

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[24] *Ebrahimi v. Westbourne Galleries Ltd.*, [1973] A.C. 360 (H.L.).
[25] *O'Neill v. Phillips*, [1999] 1 W.L.R. 1092 (H.L.).
[26] *Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd.*, (1981) 3 SCC 333 (India); *Dale & Carrington Investment (P) Ltd. v. P.K. Prathapan*, (2005) 1 SCC 212 (India).
[27] *Tata Consultancy Services Ltd. v. Cyrus Investments Pvt. Ltd.*, (2021) 9 SCC 449 (India).
[28] *Shanti Prasad Jain v. Kalinga Tubes Ltd.*, AIR 1965 SC 1535 (India); *Sangramsinh P. Gaekwad v. Shantadevi P. Gaekwad*, (2005) 11 SCC 314 (India).

VI. Role of NCLT and Efficacy of Remedies Available

The principal adjudicatory body for resolution of disputes relating to oppression and mismanagement under the Companies Act, 2013 is the National Company Law Tribunal. Its establishment represents an important institutional development in Indian corporate law because it provides a specialised forum for resolving disputes involving corporate management, shareholder rights and directors' responsibilities.[29] NCLT has been given wide discretion under Section 242. The Tribunal may, instead of limiting its intervention to a declaration of the lawfulness or unlawfulness of a particular act, make appropriate directions for the cessation of oppressive or prejudicial conduct. For example, where minority shareholders have been unfairly excluded from management, the Tribunal may regulate the future conduct of the company's affairs. Where the relationship between shareholders has broken down beyond repair, an order directing the purchase of shares may provide a practical solution.[30]

The power to regulate the future conduct of corporate affairs is particularly important in closely held companies. In such companies, shareholder disputes can affect the day-to-day running of the business. Further prejudice may be obviated by a direction as to representation on the board, managerial arrangements or the exercise of specified corporate powers. Similarly, the power to remove directors and recover undue gains may be relevant where there is evidence of serious misconduct or misuse of managerial authority.[31] Also, the remedial framework is further bolstered by the availability of interim relief under Section 242(4). Transactions in corporate disputes can cause irreversible damage if they are conducted before the final decision. Therefore, the Tribunal may pass suitable interim orders regulating the affairs of the company during the pendency of proceedings. Such protection may be particularly relevant in cases involving disputed share allotments, substantial transfers of assets or changes in management control.[32]

A further protection is provided through the appellate mechanism under the Companies Act. Section 421 provides for the right to appeal before the National Company Law Appellate Tribunal against the order of the NCLT subject to the provisions of the statute. Appeals to the Supreme Court from the NCLAT on questions of law are to be made under Section 423. This arrangement promotes judicial scrutiny and consistency in the interpretation of company

[29] The Companies Act, No. 18 of 2013, § 408, INDIA CODE (2013).
[30] The Companies Act, No. 18 of 2013, § 242(1), (2)(b), INDIA CODE (2013).
[31] The Companies Act, No. 18 of 2013, § 242(2)(a), (g)–(h), INDIA CODE (2013).
[32] The Companies Act, No. 18 of 2013, § 242(4), INDIA CODE (2013).

law.[33] But these powers are replete with a number of practical difficulties affecting the effectiveness of NCLT remedies. First, regarding eligibility under Section 244. A shareholder may have a just complaint, but may not have the required percentage of shares, or the support of the required number of members. The Tribunal has the power to waive the requirements. However, waiver is an additional procedural step. This may discourage shareholders who have limited financial resources or who are already facing difficulties in accessing corporate information.[34]

Another difficulty concerns the burden of proving oppressive conduct. The applicant must provide sufficient evidence to establish that the company's affairs have been conducted in a manner that brings the jurisdiction of the Tribunal into play. However, the majority of important company records, financial statements, board minutes and internal communications are generally in the control of the majority shareholders and directors. A minority shareholder may have a suspicion of diversion of funds or manipulation of share allotments but may not have documentary evidence to prove the allegation. This imbalance makes the availability of effective information and inspection rights particularly important. Delay in adjudication also affects the practical value of the remedy. Corporate disputes frequently involve complicated financial records, valuation reports, multiple parties and extensive documentary evidence. While proceedings remain pending, the majority may continue to exercise control over the company. Assets may be transferred, business opportunities may be lost, and the financial position of the company may change. Therefore, a remedy granted after prolonged litigation may not fully restore the position of the affected shareholder.

Valuation of shares is another important concern. Where a Tribunal orders the purchase of the minority shares, the price has to fairly reflect the value of the investment.[35] This is especially hard in the case of private companies, because their shares are not actively traded on the market. There may be disputes as to goodwill, future earning capacity, assets and liabilities, contingent obligations and as to the date as of which the valuation should be made. An unfair valuation may effectively compel the minority shareholder to exit at a price that does not represent the actual economic value of the investment. Litigation is expensive and therefore limits access to justice. Legal representation, financial experts and valuation specialists may be required in the proceedings before the NCLT. Controlling shareholders or corporate groups may have resources not available to minority shareholders. As a result, even genuine grievances may remain unresolved because the affected shareholders cannot afford prolonged

[33] The Companies Act, No. 18 of 2013, §§ 421, 423, INDIA CODE (2013).
[34] The Companies Act, No. 18 of 2013, § 244, INDIA CODE (2013).
[35] *M.S.D.C. Radharamanan v. M.S.D. Chandrasekara Raja*, (2008) 6 SCC 750 (India).

proceedings. Thus, the efficacy of NCLT remedies needs to be gauged not only by the scope of its statutory powers but also by the ease of access of shareholders to the Tribunal, to establish their claims and to get timely and enforceable relief. Specialised adjudication is important, but procedural accessibility and effective implementation are equally necessary.

VII. Comparative Analysis of Minority Shareholder Protection

The legal frameworks adopted in the United Kingdom and Australia provide useful insights into the protection of minority shareholders. Both jurisdictions recognise that majority control must operate within limits and that courts should be able to intervene where corporate conduct unfairly prejudices members. Under Section 994 of the United Kingdom Companies Act 2006, a member may approach the court where the company's affairs are being or have been conducted in a manner unfairly prejudicial to the interests of members generally or some part of its members, including the applicant. Section 996 gives a broad power to grant such relief as is appropriate. The court may regulate the future conduct of the company's affairs, restrain specified acts, require the company to take particular action or direct the purchase of shares of an affected member.[36] The United Kingdom framework places emphasis on unfair prejudice and provides flexibility in granting relief. It recognises that the practical circumstances of a company and the relationship between its members may justify intervention even where the conduct complained of does not fit into a narrowly defined category of wrongdoing. The availability of a share purchase order is particularly relevant where the relationship between shareholders has broken down and continued participation in the company is no longer practical.

Australia provides a similar statutory mechanism under Sections 232 and 233 of the Corporations Act, 2001. Under Section 232, a court may make an order where, in the course of the company’s affairs, there is:

a) conduct, an actual or proposed act or omission, or
b) a resolution that is contrary to the interests of the members as a whole, or oppressive, unfairly prejudicial to, or unfairly discriminatory against a member or members.

Section 233 provides the court with broad remedial powers, including regulating future corporate conduct, modifying or setting aside resolutions, directing the purchase of shares and granting other appropriate relief.[37] The Australian framework is particularly relevant as it acknowledges that a proposed act or omission may be sufficient to warrant intervention where

[36] Companies Act 2006, c. 46, §§ 994, 996 (UK).
[37] Corporations Act 2001 (Cth) ss 232–233 (Austl.).

it is likely to adversely affect members. This preventative approach is especially critical when the transaction could have irreversible consequences once it is completed. India also provides interim protection under Section 242(4), but greater procedural emphasis on early preventive intervention may improve the practical effectiveness of the existing framework.[38] The comparative position indicates that the protection of minority shareholders should be focused on the substance and fairness of corporate conduct rather than technical breaches. India already possesses considerable remedial powers under Section 242, but their practical accessibility and implementation require improvement.

VIII. Recommendations

First of all, there needs to be clearer statutory guidance as to what constitutes oppressive and prejudicial conduct. The law should specify relevant circumstances such as deliberate dilution of shareholding, diversion of corporate funds, misuse of managerial powers and unfair exclusion from existing management arrangements. Such guidance would assist the Tribunal in maintaining consistency while deciding disputes.

Second, the eligibility requirements under Section 244 should be applied in a way that does not unduly bar meritorious claims. The Tribunal should adopt transparent criteria while considering applications for waiver, particularly where the alleged oppressive conduct has itself affected the applicant's shareholding or voting rights.

Third, proceedings for continuing oppression or mismanagement should be given appropriate priority. Good case management, electronic filing, early identification of issues in dispute and timely hearings can assist in avoiding unnecessary delays. Interim applications involving a serious risk of irreversible prejudice should receive prompt consideration.

Fourth, the valuation of shares shall be undertaken by independent and qualified registered valuers. The valuation process should take into account the financial position of the company, its assets and liabilities, goodwill, future earning capacity and the circumstances surrounding the alleged oppressive conduct. Both parties should have an opportunity to examine and challenge the valuation report.

Fifth, transparency and disclosure requirements should be well implemented. Companies should keep proper records and allow minority shareholders to exercise their statutory rights to inspect and be informed. Greater scrutiny of related-party transactions, preferential allotments and significant changes in management control would reduce opportunities for misuse of corporate powers.

[38] The Companies Act, No. 18 of 2013, § 242(4), INDIA CODE (2013).

Sixth, class action proceedings under Section 245 should be made more accessible and effective. Collective proceedings may provide an important remedy where the same corporate action affects a large number of shareholders. The procedural requirements should encourage genuine claims while discouraging frivolous litigation.

Finally, mediation and other alternative dispute resolution mechanisms should be encouraged in appropriate shareholder disputes. In closely held companies, a negotiated share purchase, restructuring of management arrangements or an agreed exit mechanism may provide a practical solution. However, alternative dispute resolution should not replace statutory intervention where serious fraud, continuing oppression or public interest concerns are involved.

Such reforms would help to improve the practical effectiveness of minority shareholder protection without unduly restricting majority control or impeding legitimate commercial decisions.

IX. Conclusion

The protection of minority shareholders is critical to ensure fairness, transparency and confidence in the corporate world. While majority rule is essential to effective corporate decision-making, it cannot justify the abuse of voting power, managerial authority or corporate resources to thwart the legitimate rights of minority shareholders. Sections 241 to 246 of the Companies Act, 2013 provide an important statutory framework, and the principal basis for relief for oppression and mismanagement is provided under Sections 241 and 242. The eligibility requirements under Section 244 and the class action mechanism under Section 245 further strengthen the available safeguards. The judicial decisions discussed in this paper demonstrate that Indian courts have consistently attempted to balance minority shareholder protection with the legitimate autonomy of corporate management. The judgments in Shanti Prasad Jain v. Kalinga Tubes Ltd., Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd. and Dale & Carrington Investment (P) Ltd. v. P.K. Prathapan are of great help in understanding what oppression means, improper allotment of shares and the fiduciary duties of directors. In Tata Consultancy Services Ltd. vs Cyrus Investments Pvt. Ltd., the Supreme Court further clarified that the remedy cannot be resorted to merely to question ordinary commercial decisions without establishing oppressive or prejudicial conduct.

The comparative review of the UK and Australia suggests that stronger minority protection can be achieved through the availability of unfair prejudice remedies, flexible tribunal powers and fair value exit mechanisms. India already possesses substantial remedial powers under

Section 242, but their effectiveness depends on timely adjudication, consistent interpretation and proper enforcement. Hence, the problems of statutory eligibility, evidential burdens, costs of litigation, delays and valuation of shares must be given greater prominence. The existing framework could be strengthened by procedural reform, transparent valuation mechanisms, effective interim protection and better enforcement. Finally, minority shareholder protection should not be seen as a means to restrict majority control or to interfere in every corporate decision. It aims to ensure that corporate power is exercised responsibly and that all shareholders are treated equally under the law. A corporate governance framework that protects minority interests while respecting legitimate business autonomy will contribute to investor confidence, accountability and sustainable corporate development in India.

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