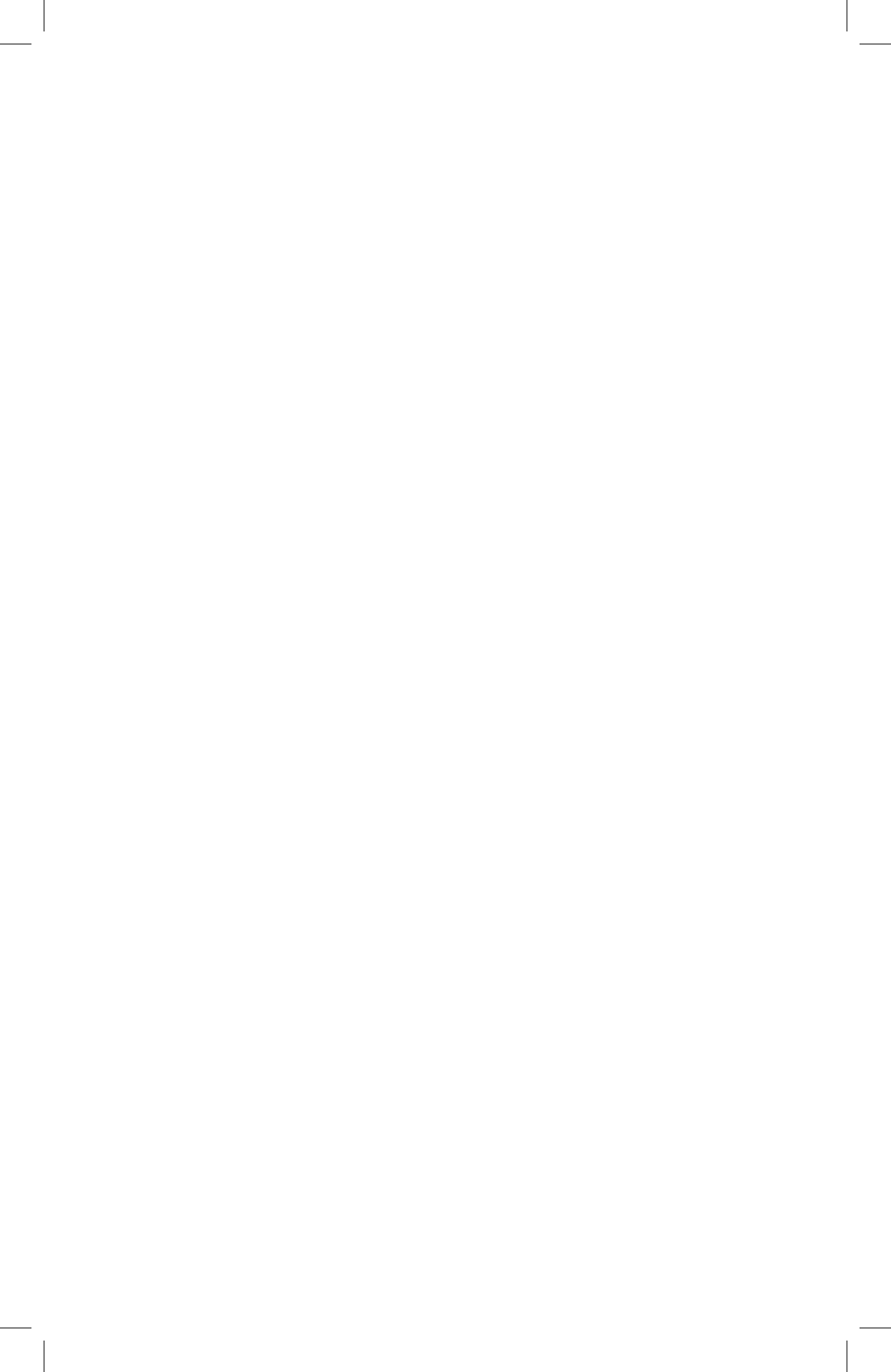


# Tata vs Mistry



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The Battle for India's Greatest  
Business Empire

Deepali Gupta

 Juggernaut

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*To my mother,  
my harshest critic, staunchest supporter, and best friend*



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## Author's Note

This book is based on information obtained from various sources, including thousands of pages of public and court filings, over a hundred press reports, many hours of interviews, and several interactions and email exchanges with the parties involved and those who had a ringside view of events. I reached out to around fifty people for my research. They include current and former employees of the Tata Group, the Shapoorji Pallonji Group, board members, present and former, of Tata Group companies, and friends and family members of the protagonists. Parts of the book rely on court filings that have been sourced from the parties involved.

Many of the people who engaged with me did so anonymously because of the ongoing and high-profile nature of the case, the involvement of influential people, and to avoid taking a public stance on the question: whose side are you on? They were, or are, directly involved with the events narrated in the book. The quotes in the book are taken from documents or interviews. Where events unfold in dialogue form they

have been reconstituted from minutes of meetings, or other such documents.

I started my journey of writing this book by reaching out to the offices of Cyrus Mistry and Ratan Tata, seeking comment and clarifications on their perspectives. Neither of them offered comment for the purpose of this book.

This book is not intended to support one or the other party. Nothing in this book is intended to disparage the persons involved or hurt their sentiments. I am a dispassionate observer and have portrayed the events neutrally as they unfolded.

Any loss, damage or disruption caused by this account is unintended.

## Cast of Characters

### Ratan Naval Tata



Ratan Naval Tata was chairman of the Tata Group from 1991 to 2012 and then for a brief period in 2016. He has been chairman of the the Tata Trusts, the largest shareholder of Tata Sons, since 2000. Popularly called RNT, he is known to hold himself and others to high standards. He is greatly admired by Tata Group employees and the business community for his friendly and gentle manner and strong values, and enjoys celebrity status.

The unmarried RNT has a small social circle. Even though he approaches eighty years of age, few can match his focus and determination.

### Cyrus Pallonji Mistry

Cyrus Mistry is the second son of the construction and real estate tycoon Pallonji Shapoorji Mistry. The Mistry family owns 18 per cent of Tata Sons, making them



the second largest shareholders of the company. He joined the family business at twenty-three and led the Shapoorji Pallonji Group from strength to strength. Despite his privileged upbringing Mistry has remained grounded. Relatives described him as an ‘old head on young shoulders’. He became a director of Tata Sons in 2006 and was chairman from December 2012 to October 2016. He is sharp and keeps his cards close to his chest. Married with two sons, Mistry lives in a closely knit joint family.

### **Nirmalya Kumar**



Nirmalya Kumar was part of Cyrus Mistry’s core team at Tata Sons as group strategist, his only non-academic position in his career. Before that he was professor of marketing and director of the Aditya Birla India Centre at the London Business School. He has also taught at Columbia University and Harvard Business School, and has written eight books. Nirmalya writes a detailed blog on what’s on his mind. He is now a Lee Kong Chian professor of marketing at the Singapore Management University and distinguished fellow at the INSEAD Emerging Markets Institute.

### **Madhu Kannan**

Madhu Kannan was also part of Cyrus Mistry’s core team at Tata Sons. He was head of business development



and public affairs, and became de facto in-charge of plan implementation. Before that, in 2008, Kannan had stepped down as MD of the New York Stock Exchange and took on the task of revamping the Bombay Stock Exchange in the aftermath of the global financial meltdown. He is now chief business officer for India and emerging markets at Uber India.

### **Noshir A. Soonawala**



Noshir A. Soonawala was till March 2019 a trustee of Tata Trusts. He has spent four decades in finance roles at the Tata Group. His last assignment was as finance director of Tata Sons. Financially astute, Soonawala is one of the few people who can talk to Ratan Tata as a peer. Soonawala's advice on managing funds, acquisitions and accounting is considered gospel in the Tata Group.

### **R. Venkatramanan**



R. Venkatramanan is a former executive assistant to Ratan Tata. Venkatramanan first came in contact with Ratan Tata while working at Videsh Sanchar Nigam Limited, a company that Tata acquired from the Indian government and rechristened Tata Communications. With nearly twenty years of working for profit and non-profit organizations, a law degree as well as an MBA, he

straddles both finance and strategy roles. He has served as the managing trustee of the Sir Dorabji Tata Trust, one of the key trusts that holds shares in Tata Sons, and also as a trustee of several other Tata Trusts. Venkatramanan was a board member of the Tata Group's low-cost airline AirAsia India.

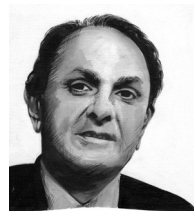
### C. Sivasankaran



Sivasankaran, a Chennai-born businessman, is a telecom industry veteran. He was promoter of Aircel, which he sold to Malaysia's Maxis in 2005, and was also an early investor in Airtel and Idea. In 2006, Sivasankaran bought a 7 per cent stake in Tata Teleservices. Sivasankaran would try to exit this investment during Cyrus Mistry's tenure as Tata Sons chairman under controversial circumstances. Flamboyant and outspoken, Siva is everything the Tatas are not. He is synonymous with big bungalows and a lavish lifestyle. It is said that he was once close to Ratan Tata but that is not the case any more.

### Nusli Wadia

Nusli Wadia, grandson of Muhammad Ali Jinnah and son of Neville Wadia, became chairman of Bombay Dyeing and Britannia Industries at a young age. He was a close associate of the



Tata Group and served on the boards of Tata Steel, Tata Chemicals and Tata Motors. Wadia was the godson of J.R.D. Tata. There was a time when he was considered the most probable candidate for Tata Sons chairmanship. Wadia and Ratan Tata were friends since RNT became the chairman of Tata Sons.





## The Suitable Boy

The monsoon inundated the streets of Mumbai in August 2010. It was the heaviest August rain the city had seen in over a decade. On the first Wednesday of the month, in a narrow lane, in a quaint corner of South Mumbai, the street market was oblivious of the electric atmosphere behind the stone walls of Bombay House. At this iconic Tata headquarters, most of the traffic was in the wires, as emails swished from one person to another, phones vibrated and occasionally people scurried over to each other preparing for what was going to happen. It was a momentous day and the tension was palpable: for the first time in its history the Tata Sons board was formally announcing the creation of a selection committee to find its next chairman.

Tata Sons, the main entity that works out of this heritage building, is the holding company – a company that owns and controls other firms – for nearly a hundred operating companies in the Tata Group, like Tata Motors,

maker of the Indica car and owner of Jaguar Land Rover (JLR); Tata Steel, maker of steel products for cars and construction; Tata Chemicals, maker of Tata Salt; Tata Consultancy Services (TCS), India's biggest information technology outsourcing company; and Tata Global Beverage, maker of Tata Tea and Himalaya water and 50 per cent shareholder in Starbucks cafes in India. The chairman of Tata Sons is responsible for this sprawling empire, which has been headed by members of the Tata family for over 140 years. The retirement policy of Tata Sons was set up by sitting chairman Ratan Naval Tata (popularly known as RNT) after he joined in 1991. According to the policy, the directors of Tata Sons, including the chairman, had to retire at the age of seventy-five. It was going to be applied to the top job for the very first time as Ratan Tata would turn seventy-five in 2012, and before that a successor had to be found and trained under him.

On this Wednesday, Bombay House was abuzz because the upcoming announcement about the selection committee meant that Ratan Tata was really retiring. The search for a successor had been informally on for some time. Many people believed a suitor would never be found and the search was cosmetic. But Ratan Tata meant what he said about leaving.

The announcement would reveal the five selectors who had just met for the first time officially to undertake the arduous task of choosing the successor.

Surprisingly, Ratan Tata was not one of them. The names, which were revealed later that day, were:

- Noshir A. Soonawala – Ratan Tata’s lieutenant and finance ace who had retired in 2010 from the post of non-executive vice chairman of Tata Sons. He was a trustee of the Tata Trusts
- Shirin K. Bharucha – lawyer with the Tata Group and a trustee of Tata Trusts
- Cyrus P. Mistry – Tata Sons shareholder and board member since 2006
- R.K. Krishna Kumar – director at Tata Sons, retiring in 2013, former head of Group companies like Tata Global Beverages and Indian Hotels (IHCL)
- Sushanta Kumar Bhattacharyya – a Tata outsider, UK politician (with title of Lord), founder of Warwick Manufacturing Group in the UK and friend of Ratan Tata

The rumour mill was still pegging Noel Tata as the likely successor. If an heir was to be nominated from the family, Noel Tata was the only eligible candidate in a family with few children. He also had the support of Pallonji Mistry, the head of the Shapoorji Pallonji (SP) Group, which had 18 per cent shares in Tata Sons who was the second largest stakeholder after the charitable Tata Trusts headed by Ratan Tata. Seven major trusts founded by Tata family members own around 65 per cent in Tata Sons.

To Noel Tata, Pallonji Mistry was father-in-law and Cyrus Mistry brother-in-law.

A few days earlier, Noel Tata had been promoted to MD of Tata International. It echoed Ratan Tata’s elevation as chairman of Tata Industries in 1981, which

turned out to be a precursor to his ascension as chairman of Tata Sons.

However, Ratan Tata had other plans. He had told a London newspaper that Noel Tata was not adequately exposed to diverse businesses to lead the Tata Group. Noel is Ratan Tata's half-brother from his father's second wife. The two reportedly had strained relations. Ratan Tata had made it clear that the next chairman need not be a Tata or even a Parsi. Parsis are a close-knit affluent community of an estimated 60,000 people of Zoroastrian decent.

Many in the community did not appreciate this declaration. Russi Mody, a former top executive at and once a contender for the chairmanship of Tata Sons, openly expressed his desire for a Parsi head for Tata even if it was not a family member.

The search committee cast its net far and wide. The August 2010 press statement issued by Tata Sons stated: 'The panel will look at suitable candidates from within the Group and professionals from India and overseas to find a replacement for Ratan Tata, who retires at the end of 2012.' Over the next months, fourteen potential candidates were evaluated and some of them interviewed more than once. The committee met eighteen times, sometimes at overseas locations.

Praise for Ratan Tata and the Group resounded in all corners of the corporate world. Here was a model showcasing that India's family-owned businesses were coming of age. It embodied the essence of professional succession planning. Institutes and academicians watched with admiration, acknowledging that 'letting go' is always a hard thing.

Newspapers bounded regularly with headlines naming potential successors. The contenders that reports named outside the Group were very qualified. Indra Nooyi was at the peak of her career as CEO of PepsiCo and knew consumer-facing businesses well, an aspect that the Tata Group was trying to crack. Her presence would introduce gender diversity in the Group's top management.

Arun Sarin was the former Vodafone global chief and had brought Vodafone to India with a whopping \$11 billion investment after tough negotiations. Then, he dealt firmly with the Indian taxman who imposed a further \$2 billion charge on the investment. Tata Teleservices would benefit from his telecom experience, and the Group with his ability to strike mega deals against all odds.

Anshu Jain had a meteoric rise to become the co-CEO of Deutsche Bank, the first non-European to do so. With the Indian financial sector poised to take off and Tata's plans to get into banking, his expertise would be an asset.

John Thaine, the former American chairman and chief executive of Merrill Lynch, and Carlos Ghosn, chief of Renault–Nissan, were also considered, as Tata Motors entered a transformative phase for its consumer vehicles.

Keki Dadiseth, former chairman of Unilever in India and global executive director of the company, was a contender with whom Ratan Tata had interacted intermittently over a decade.

'Ratan is very hands-on with things he enjoys in a way that's not feasible for someone to come into the company at this point and do,' a Reuters news report quoted Bala Balachandran, a professor at the Kellogg School of Management, Illinois, USA, and a friend of Ratan

Tata. A Tata Sons press statement said, 'The Group would require someone with experience and exposure to direct its growth amidst the challenges of the global economy.'

Professor Balachandran said, 'The bigger challenge for any successor, and even more so for someone from outside the family, will be living up to the legacy and the constant comparisons that are bound to happen.'

Tata confidants said the committee believed appointing an insider would be a better choice. Internally, names that did the rounds included the finance director of Tata Sons Ishaat Hussain, brand custodian and human resources head R. Gopalakrishnan, former head of Tata Steel B. Muthuraman, chief of Tata Motors Ravi Kant, and former head of TCS, S. Ramadorai. Yet Ratan Tata preferred someone young. The retiring age for executives of the Tata Group was sixty-five and these aforementioned executives were set to retire in the next five years. Continuity had always proved to be an asset in the past. Jehangir Ratanji Dadabhoy Tata (J.R.D. Tata or JRD, as he was popularly known) was chairman for over half a century and launched the Group into many new businesses. His chairmanship was followed by Ratan Tata's two-decade-long stint, during which he centralized the Group, transforming the brand and foraying into large global acquisitions.

The committee looked for a candidate who would hold office for at least a decade to make any material difference to the Group. The younger insiders in the Group who reports said were being considered included N. Chandrasekaran, CEO of TCS, and Bhaskar Bhat, MD

of Titan. Not many close to the unfolding events ascribed much significance to their candidature. Then, it dawned upon the committee that, while they were looking far and wide, the 'suitable boy' was sitting right before them!

The committee asked Cyrus Mistry to become a candidate. At first he refused. A little later when the search still came up short, Mistry was sounded again. He consulted his father, Pallonji Mistry, and others in the family and 'reluctantly' entered the race. The forty-four-year-old dropped out of the selection committee and served himself up for assessment. In October 2010, he was fielding questions from the selection committee like any candidate would.

In Mumbai parlance, Mistry was a true 'townie'. He went to the prestigious Cathedral and John Connon School in South Mumbai. He was known to be less flamboyant than his brother but close to his 'group of boys', recall friends and family. He went on to his bachelor's in civil engineering at Imperial College, London, and a master's in management at the London Business School. At twenty-three, Mistry joined the family construction business. Three years later, in 1994, he became the MD of Shapoorji Pallonji's flagship construction company. Mistry extended his company's product portfolio from construction to design and delivery of residential projects as well as projects in specialized sectors such as oil and railways. He also expanded his business internationally. In Cyrus Mistry's words, 'Shapoorji Pallonji is a company I have built bit by bit. Most of the people there have been part of a team, many of whom have worked with me for over twenty

years. I would like to think I built a company that has world-class capability.'

In October 2010, Mistry requested the selection committee to excuse him from a meeting due to health reasons and instead answered on email the committee's questions on his vision and understanding of the Group.

Mistry had a larger vision for the Group. He wrote that the chairman of such a big group should have at least six years to effect change. He added it was time the articles of association or founding principles of Tata operating companies were modified to give Tata Sons rights to nominate a third of the board of directors of each operating company as long as Tata Sons held over 26 per cent in the operating company. Till such time, each company should have at least two directors from Tata Sons to ensure control of Tata Sons over its operational arms.

He also envisioned that over the span of the next five years the Group must incubate at least four major businesses, which would potentially be spun off into new companies. 'I believe the Tata Trusts can play a very important role here (managing the expanse and diversity of the Group), but it has to be well synchronized with the Group requirements,' wrote Mistry.

The meshing of young enterprise with wisdom of the old guard seemed to be an important theme running through all that he proposed. As a board member of Tata Sons, many had observed Ratan Tata turning to him for counsel.

Mistry seemed to tick all the right boxes. He was an entrepreneur. He was familiar with the Group, being a



board member of Tata Sons. He had skin in the game with a financial stake of 18 per cent in Tata Sons that his family held. He was related to the Tata family, albeit indirectly – Cyrus’s sister was married to Noel Tata. And as quoted in a *New York Times* report: ‘He had a good relationship with Ratan Tata which was always seen as an important qualification for the job.’

Shirin K. Bharucha, who was representing the Tata Trusts on the selection committee, said in a television interview that Mistry was most qualified to ‘grow into the role’. Mistry was the man who would further the philanthropic mission through the Tata Trusts.

Still, his appointment came as a big surprise to many.

The naysayers made all kinds of gloomy predictions. Some said that the Shapoorji business mindset would never fit into the Tata culture – which focused on diversity, people and philanthropy. Some predicted that he would pale before the grandeur of Ratan Tata. Many dismissed his single-company experience saying his vision would be myopic for the vastly diversified Group. His personal interests, some said, would come before the Group’s well-being, and that the move favoured the Mistris, who had long been rumoured to want control over the Tata Group. Perhaps these were just the lashings of aspiring contenders for the golden ticket whose hopes had been dashed. Yet, intentionally or unwittingly, these rantings sowed the seeds of doubt, as the events that unfolded subsequently suggest.

The division among Mistry’s supporters and detractors was reminiscent of the time when Ratan Tata had himself taken over more than two decades ago. He often recalled

the day in March 1991 when J.R.D. Tata returned from the hospital after undergoing a heart-related procedure, and offered Ratan the bigger chair in the fourth-floor boardroom. Ratan Tata became chairman later that year. When JRD asked Ratan Tata if he should vacate his office, he urged JRD to retain it.<sup>1</sup> He said, 'I did have some concerns that Jeh would be in office every day, that he would interfere and that he would forget that he was not any longer the chairman, that he would be irritable and render somewhat impotent the moves that I was hoping to make.'

Yet, Ratan Tata's challenge did not come from JRD. Instead, it came from Russi Mody, the long-time lieutenant of J.R.D. Tata and chairman and MD of TISCO, now Tata Steel. Mody had claimed chairmanship and had even spoken to the press of his candidature. Thereafter, when he did not get the post, he spoke in public about the 'mismanagement' in the company at the hands of Ratan Tata.

Ajit Kerkar, the chairman and managing director of India Hotels Company Limited (IHCL) was another heavyweight who opposed Ratan Tata's idea of a centralized Group. Ratan had envisaged the Tata brand as bigger than any of its operating companies and decided that a brand charge be paid by all Group companies to Tata Sons for using the brand name. The operating companies at that time were often run by the individual chiefs as their own fiefdoms. Neither the company names, nor the brands they operated made it obvious they were part of the Tata Group. Kerkar was one such chieftain. He declared that IHCL that operated the Taj chain of

hotels did not use the Tata brand name and refused to pay the charge. He questioned Ratan Tata's move as being detrimental to shareholders. Tata negotiated these challenges to his authority with firmness. In a boardroom battle, Kerkar was forced out of his company, completing the purge of the old guard.

Under Ratan Tata, the Tata Group became a global brand. All companies under it benefited from the values of 'trust' and 'fairness' associated with the mother ship. Taking on challenges that no one thought possible had become his signature. In his two decades at the helm, Tata Steel made the large acquisition of Corus, the ailing European steel conglomerate, and Tata Motors acquired Jaguar, the world-renowned luxury car brand. Ratan Tata had conceived of manufacturing a car that every scooter-riding Indian would be able to afford – the Nano, for just Rs 1 lakh, a mere \$2,000. Under Ratan Tata's leadership, Group revenues grew over 46 times to \$83 billion, profits grew 51 times and market value 33 times.

Tata saw a similar future for Mistry and decided to make Mistry's rite of passage easier than his own had been. Therefore, Ratan Tata's glowing testimonial and endorsement of Mistry's candidature bore special significance. In the November 2011 announcement naming Mistry as his successor Tata said, 'He has been on the board of Tata Sons since August 2006 and I have been impressed with the quality and calibre of his participation, his astute observations and his humility. He is intelligent and qualified to take on the responsibility being offered and I will be committed to working with him over the next year to give him the exposure, the



Punit Paranjpe/AFP/Getty Images

Tata Sons chairman Ratan Tata with his successor-in-waiting Cyrus Mistry at an event in Mumbai in April 2012. They found occasions to smile together in the months leading up to Ratan Tata's retirement.

involvement and the operating experience to equip him to undertake the full responsibility of the Group on my retirement [in 2012].'

So began a one-year-long handover process with Ratan Tata as the master and Mistry as his apprentice. At several forums Ratan Tata endorsed Mistry to the staff and stakeholders of the Tata Group as Mistry accompanied him to get a handle on the Group's varied businesses.

Ratan Tata wrote in a letter to Group employees: 'The Tata Group will undoubtedly play an important role in the continued development of our country, providing leadership in various industrial segments in which they operate and living by the value systems and ethical standards on which our Group was founded. The future growth of the Group will be led in the coming years by Cyrus Mistry.'

His advice to Mistry was, 'Be your own man. Be yourself and just be driven by the fact that every act you do and every move you make has to stand the test of public scrutiny.'

A year went by all too quickly and soon it was 11 a.m. on 18 December 2012 – the day of Ratan Tata's last board meeting as chairman of the Group. Paying tribute to Ratan Tata, Cyrus Mistry said: 'The past year has been a great learning experience under the direct guidance of Mr Ratan Tata. The Tata Group is founded on strict values. We will face ups and downs, whatever may lie in our path. We are ready to face all the challenges that will come our way.'

Ratan Tata also offered his last words of advice as the chairman: 'How you deal with an aberration is a test of what you stand for rather than sweeping it under the carpet.' He expressed his availability for any advice that Mistry or other Group leaders would seek, but said he 'would like to make a clean break'.

The meeting ended and Mistry's watch began.