

Focus

First Reaction
Governance Spotlight
Regulatory Overview
Thematic Research
Event Based Research

✓ **General**

Turning the page: On N. Chadrasekaran's appointment as Chairman of Tata Sons

While investors focus on the operating companies and expect Chandra to focus on these too, the long-term success of the group hinges on what happens at the shareholder level i.e. Tata Sons and at Tata Trusts.

N Chandrasekaran's appointment as the Chairman of Tata Sons coming less than three months after Cyrus Mistry was defenestrated, speaks of the urgency to have someone take control. The Tata group, built over 150 years has been steadily losing its reputation these past few months. A steadying hand was needed not just to protect its legacy, but for the group to remain relevant in future.

N Chandrasekaran (Chandra) has many things going for him. He has been running TCS, whose dividends have been firing the Tata group engine. Second, having run one of India's most profitable company he is hugely respected by all stakeholders. And finally, being an old Tata hand, he will have a great deal of familiarity with the various issues raised in the leaked Cyrus Mistry letter. Investors are looking for signals regarding how these will be addressed, which given his likely familiarity, he is in the best position to quickly provide. Four, he has an enviable contact list. Even before his elevation, he could access whomsoever he wanted; even more so now. Five, being from the IT sector, he recognizes the merit of speed: if you let things drift, the opportunity is lost.

While investors focus on the operating companies and expect Chandra to focus on these too, the long-term success of the group hinges on what is happens at the shareholder level i.e. Tata Sons and at Tata Trusts. There are several issues that have surfaced over the past three months.

First the relationship between Tata Sons and the Tata Trusts, its largest shareholder. And then you have the relationship between Tata Sons and the operating companies. As long as Ratan Tata (and before him JRD Tata) chaired all three, they were in sync. But the moment Tata Trusts and Tata Sons (and by virtue of this, the operating companies) had different persons at the helm, disagreements cropped up. While Ratan Tata and Chandra might see eye-to-eye, there is already talk of then Tata Trusts starting to look for a successor to Ratan Tata. You need a structure that transcends people.

A related issue is that the Tata Trusts have a veto power over the decisions at Tata Sons, shifting the balance of power between the independent directors of Tata Sons and Tata Trusts. As long as the Trusts remain dependent on the dividend income from Tata Sons, there will be pressure on Tata Sons to move the cash up rather than make it available for the businesses. But as the recent events have highlighted, the group needs to shore-up its holdings in group companies. This is an added pressure point.

Subscribe to
[iiAS Research](#)

Write to us

Email: solutions@iias.in

Website: www.iias.in

In addition to the various legal imbroglios that the group is now involved with, which will periodically flare-up and need to be doused, there are a host of other issues – the strategic direction the group takes, its corporate culture and most importantly the brand and how to keep it relevant. The legacy hot spots need focus. And now that Chandra will no longer have direct oversight into the affairs of TCS, if it splutters, the groups troubles will multiply. Ensuring that this does not happen needs to be high on the agenda. Equally important is to ensure that governance structures, practices and disclosures are put in place, so that the recent events are not repeated.

These are all thorny decisions to take. Chandra should pay heed to advice given to newly elected politicians: take the difficult decisions in your first six months in office. Chandra may have age on his side, but after the recent imbroglio in the group, the markets will expect him to operate within a much tighter time line.

A modified version of this article was published in Business Standard on 13 January 2017. [Link http://www.business-standard.com/article/companies/chandra-as-chairman-tata-group-needs-a-structure-that-transcends-people-117011300068_1.html](http://www.business-standard.com/article/companies/chandra-as-chairman-tata-group-needs-a-structure-that-transcends-people-117011300068_1.html)

Disclosure: The Tata group, through Tata Investment Corporation Limited, holds equity in IiAS. This Institutional EYE is based entirely on publicly available information

Disclaimer

This document has been prepared by Institutional Investor Advisory Services India Limited (IiAS). The information contained herein is solely from publicly available data, but we do not represent that it is accurate or complete and it should not be relied on as such. IiAS shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not be taken as the basis for any voting or investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of the individual resolutions referred to in this document (including the merits and risks involved). The discussions or views expressed may not be suitable for all investors. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. IiAS reserves the right to make modifications and alterations to this statement as may be required from time to time. However, IiAS is under no obligation to update or keep the information current. Nevertheless, IiAS is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither IiAS nor any of its affiliates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The disclosures of interest statements incorporated in this document are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report.

Confidentiality

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IiAS to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information provided in these reports remains, unless otherwise stated, the copyright of IiAS. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of IiAS and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

IiAS Voting Policy

IiAS' voting recommendations are based on a set of guiding principles, which incorporate the basic tenets of the legal framework along with the best practices followed by some of the better governed companies. These policies clearly list out the rationale and evaluation parameters which are taken into consideration while finalising the recommendations. The detailed IiAS Voting Guidelines are available at www.iias.in/iias-voting-guidelines.aspx. The draft report prepared by the analyst is referred to an internal Review and Oversight Committee (ROC), which is responsible for ensuring consistency in voting recommendations, alignment of recommendations to the IiAS' voting criteria and setting and maintaining quality standards of IiAS' proxy reports. Details regarding the functioning and composition of the ROC committee are available at www.iias.in. In undertaking its activities, IiAS relies on information available in the public domain i.e. information that is available to public shareholders. However, in order to provide a more meaningful analysis, IiAS, generally seeks clarifications from the subject company. IiAS reserves the right to share the information provided by the subject company in its reports. Further details on IiAS policy on communication with subject companies are available at www.iias.in.

Analyst Certification

The research analyst(s) for this report certify/es that no part of his/her/their compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. IiAS' internal policies and control procedures governing the dealing and trading in securities by employees are available at www.iias.in.

Conflict Management

IiAS and its research analysts may hold a nominal number of shares in the companies IiAS covers (including the subject company), as on the date of this report. A list of IiAS's shareholding in companies is available at www.iias.in. However, IiAS, the research analyst(s) responsible for this report, and their associates or relatives, do not have actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of this report. A list of shareholders of IiAS as of the date of this report is available at www.iias.in. However, the preparation of this report is monitored by an internal Review and Oversight Committee (ROC) of IiAS and is not subject to the control of any company to which such report may relate and which may be a shareholder of IiAS.

Other Disclosures

IiAS further confirms that, save as otherwise set out above or disclosed on IiAS' website (www.iias.in):

- IiAS, the research analyst(s) responsible for this report, and their associates or relatives, do not have any financial interest in the subject company.
- IiAS, the research analyst(s) responsible for this report, and their associates or relatives, do not have any other material conflict of interest at the time of publication of this report.
- As a proxy advisory firm, IiAS provides subscription, databased and other related services to various Indian and international customers (which could include the subject company). IiAS generally receives between INR 10,000 and INR 25,00,000 for such services from its customers. Other than compensation that it may have received for providing such services to the subject company in the ordinary course, none of IiAS, the research analyst(s) responsible for this report, and their associates or relatives, has received any compensation from the subject company or any third party for this report.
- None of IiAS, the research analyst(s) responsible for this report, and their associates or relatives, has received any compensation from the subject company or any third party in the past 12 months in connection with the provision of services of products (including investment banking or merchant banking or brokerage services or any other products and services), or managed or co-managed public offering of securities of the subject company.
- The research analyst(s) responsible for this report has not served as an officer, director or employee of the subject company.
- None of IiAS or the research analyst(s) responsible for this report has been engaged in market making activity for the subject company.



markets ∩ governance

About IiAS

Institutional Investor Advisory Services India Limited (IiAS) is a proxy advisory firm, dedicated to providing participants in the Indian market with independent opinion, research and data on corporate governance issues as well as voting recommendations on shareholder resolutions for over 650 companies. IiAS provides bespoke research, valuation advisory services and assists institutions in their engagement with company managements and their boards.

In addition to voting advisory, IiAS offers two cloud based solutions - IiAS ADRIAN, and comPAYre. IiAS ADRIAN captures shareholder meetings and voting data and provides packaged data that can be used to gain insights on how investors view specific issues and gain greater predictability regarding how they might vote. comPAYre provides users access to remuneration data for executive directors across S&P BSE 500 companies over a five-year period.



comPAYre

Office

Institutional Investor Advisory Services
Ground Floor, DGP House,
88C Old Prabhadevi Road,
Mumbai - 400 025
India

Contact

solutions@iias.in
T: +91 22 6123 5509