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## 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 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.

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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.

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