MINORITY SHAREHOLDER PROTECTION IN INDIAN CORPORATE LAW: A STUDY OF STATUTORY SAFEGUARDS AND JUDICIAL TRENDS

Santhosh M, B.A., LL.B. (Hons.), The Central Law College, Salem, Tamil Nadu

1. ABSTRACT

Every company runs on the trust between the people who invest money in it and the people who manage it. In most Indian companies, a small group of promoters or a controlling family holds the real power, while a large number of small investors hold only a minor share. This gap in power creates a genuine risk that the majority may use their control to benefit themselves at the cost of the minority. This paper looks at how Indian law tries to close that gap. It studies the statutory scheme under the Companies Act, 2013, particularly the provisions dealing with oppression and mismanagement, class action suits, and the rights attached to small shareholdings, and it places these provisions against the backdrop of recent rulings of the Supreme Court, the National Company Law Tribunal (NCLT), and the National Company Law Appellate Tribunal (NCLAT).

Landmark disputes such as Cyrus Mistry v. Tata Sons Ltd. and the 2026 ruling in Pannalal Bhansali v. Bharti Telecom Limited are examined to understand how courts balance the majority's right to run the business against the minority's right not to be treated unfairly. The paper also studies the position of minority shareholders in listed companies under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and compares the Indian position with the English unfair prejudice remedy. The paper concludes that while the legal framework on paper looks protective, in practice minority shareholders still struggle because of high shareholding thresholds, slow tribunal proceedings, and a judicial reluctance to interfere with ordinary business decisions.

2. Introduction

A company is, in the eyes of the law, a separate person. But behind that legal person stand real human beings who have put in their money and expect a fair return and fair treatment. When one group of shareholders controls the board and the day-to-day running of the company, the shareholders who hold a smaller number of shares can easily be pushed aside in decisions about dividends, mergers, allotment of new shares, or even the removal of directors who represent their interests. Indian corporate law has, over the decades, tried to build a shield for these smaller shareholders without taking away the majority's right to manage the business efficiently. This introduction is organised into five parts, tracing the subject from its roots in common law through to the specific objectives of this study.

a. Historical Roots of Minority Protection

The idea of protecting minority shareholders is not new; it goes back to English company law, where the old rule in Foss v. Harbottle[1] said that only the company itself, acting through its majority, could sue for a wrong done to it, and an individual shareholder generally had no standing to complain. This rule protected the company from being dragged into endless litigation by disgruntled shareholders, but it also meant that if the wrongdoers were themselves the majority in control, the minority had almost no way to get justice. Indian company law, first codified under the Indian Companies Act, 1913, inherited this common law rule almost as it stood, and it was only with later reform that the harshness of this position began to be softened.

Judicial exceptions carved out around Foss v. Harbottle in England, such as the exception for acts that are ultra vires the company or acts that amount to fraud on the minority, found their way into Indian jurisprudence as well, and the Supreme Court applied this reasoning in Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd.[2], a case concerning a rights issue that was found to have been used to dilute a minority shareholder's stake, where the Court held that the majority's power, though wide, is not unlimited and must be exercised bona fide for the benefit of the company as a whole.

[1]Foss v. Harbottle, (1843) 2 Hare 461.
[2]Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd., (1981) 3 SCC 333.

b. Statutory Framework and Its Growth in India

The real turning point in India came with the introduction of provisions on oppression and mismanagement, first under the Companies Act, 1956, and now continued and expanded under Sections 241 to 246 of the Companies Act, 2013[3]. These sections allow a shareholder holding a prescribed minimum shareholding to approach the NCLT if the affairs of the company are being conducted in a manner that is oppressive to some shareholders or prejudicial to the interests of the company. Over time, the Supreme Court gave shape to what counts as “oppression” through decisions such as Shanti Prasad Jain v. Kalinga Tubes Ltd.[4], where the Court explained that the conduct complained of must be harsh, unfair, and show a lack of honest dealing, and not merely a business decision that the minority disagrees with. The Companies Act, 2013 also introduced fresh tools such as class action suits under Section 245[5], giving a specified number of shareholders the right to sue on behalf of a larger class when the company's affairs are mismanaged, something that did not exist in the earlier law. The creation of the NCLT and NCLAT in 2016 as specialised tribunals, replacing the older Company Law Board, was itself meant to give shareholder disputes a faster and more expert forum than the ordinary civil courts.

Beyond the oppression and mismanagement remedy, minority shareholders in listed companies also draw protection from securities law, particularly the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015[6], which require many related party transactions to be approved by a resolution of the shareholders in which interested and related parties are barred from voting, commonly called the “majority of the minority” rule. This shows that Indian law protects minority interests through two parallel tracks, one rooted in company law before tribunals, and the other rooted in securities regulation for the listed company space.

c. Key Terms Used in This Study

A few ideas run through this entire study and need to be understood clearly at the outset. "Oppression" refers to conduct by those in control of a company that is burdensome, harsh, or unfair to some shareholders, and that shows a visible departure from fair dealing. "Mismanagement" refers to running the company's affairs in a way that harms the company

[3]The Companies Act, 2013, ss. 241–246.
[4]Shanti Prasad Jain v. Kalinga Tubes Ltd., AIR 1965 SC 1535.
[5]The Companies Act, 2013, s. 245.
[6]SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, reg. 23.

itself or the public interest, even if no single shareholder is individually targeted. A "class action" allows a group of shareholders to sue collectively instead of each person filing a separate case, which spreads the cost and effort of litigation.

"Squeeze-out" or "minority buyout" refers to situations where the majority uses lawful mechanisms, such as a scheme of capital reduction, to compulsorily purchase and cancel the shares held by minority shareholders, which is lawful only if it is fair, reasonable, and properly valued. "Just and equitable winding up" refers to a residual power of the tribunal to order the closure of a company where the relationship between the shareholders has broken down so completely that continuing the company would itself be unfair, even though this remedy is used sparingly because it destroys the company rather than repairing the relationship within it.

d. Objectives of the Study

This paper is built around the following specific objectives:

- To examine the statutory remedies available to minority shareholders under the Companies Act, 2013 and related securities regulations.
- To trace how Indian courts and tribunals have interpreted the concepts of oppression, mismanagement, and unfair prejudice over time.
- To study recent case law from 2021 to 2026 and identify emerging judicial trends in shareholder disputes.
- To identify the practical barriers that prevent minority shareholders from making full use of the remedies available to them.
- To suggest reforms that could make minority protection more accessible without undermining legitimate majority control.

e. Scope and Limitations

This paper does not attempt to cover every provision of company law. It focuses specifically on the remedies available to minority shareholders against oppression and mismanagement, the safeguards around share capital reduction and buyouts, and how recent judicial decisions from 2021 to 2026 have shaped the practical value of these remedies. It also looks briefly at how these Indian protections compare with the position under English company law, since Indian law borrowed heavily from that system. The study is doctrinal in nature and does not involve primary field surveys of shareholders or companies; its quantitative element is limited to a classification of reported case outcomes rather than an original empirical dataset. The aim is to find out whether the law, as it currently stands and as it is currently applied, gives real protection to a small investor, or whether it remains largely a protection that looks good in the statute book but is hard to use in practice.

3. Research Questions

This study is built around the following questions:

1. What statutory remedies are available to minority shareholders under the Companies Act, 2013 against oppression and mismanagement?

2. How have Indian courts and tribunals interpreted the meaning of "oppression" and "mismanagement" in recent rulings?

3. What role does the NCLT and NCLAT play in balancing majority control with minority protection, particularly in cases of shareholder deadlock and forced buyouts?

4. How effective is the "majority of the minority" voting mechanism under securities regulation in protecting shareholders of listed companies?

5. What practical difficulties do minority shareholders face in enforcing their rights, such as shareholding thresholds and delay in tribunal proceedings?

6. What reforms, if any, are needed to strengthen minority shareholder protection in India?

4.Theoretical and Empirical Perspective

A fair amount of academic and practitioner writing exists on this subject, and this section summarises the material that has shaped this paper's approach. Commentaries on the Companies Act, 2013 generally agree that Sections 241 to 246 mark a significant improvement over the 1956 Act because they widen the grounds on which relief can be sought and give the NCLT wide powers to pass any order it considers fit, including regulating the future conduct of the company or ordering a buyout of shares. However, several writers point out that the eligibility threshold to file a petition, ordinarily requiring a minimum percentage of shareholding or a minimum number of members, continues to shut out genuinely aggrieved but small individual investors unless they combine together.

Older case commentary on Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd.[7] is still cited by scholars as an early example of the Supreme Court restraining a majority shareholder from using an otherwise lawful power, in that case a rights issue, in a manner that would unfairly dilute a minority stake. Writers treat this case as the doctrinal ancestor of the modern oppression remedy, showing that Indian courts recognised the danger of majority overreach well before the current statutory scheme existed.

Case commentary following Cyrus Mistry v. Tata Sons Ltd. (2021)[8] has been particularly influential in shaping current thinking. Legal writers note that the Supreme Court, while overturning the NCLAT's earlier order in Mistry's favour, made it clear that the mere removal of a person from the position of director or chairman is not by itself an act of oppression, and that courts should be slow to interfere with commercial decisions of the majority unless there is clear evidence of unfair conduct. This has been read by some commentators as a pro-majority tilt, while others read it as a necessary correction that prevents every boardroom disagreement from being dressed up as oppression.

More recent literature, written around the Tata Consultancy Services Ltd. v. Cyrus Investments Pvt. Ltd. line of cases[9] and subsequent NCLT rulings such as Hormouz Phiroze Aderianwalla v. Del. Seatek India (P) Ltd. (2024)[10], discusses how tribunals are increasingly using the buyout remedy as a practical solution in cases of shareholder deadlock, especially in companies with equal fifty-fifty ownership where day-to-day functioning becomes impossible. Writing on the 2026 decision in Pannalal Bhansali v. Bharti Telecom Limited & Ors.[11] discusses how the Supreme Court has now given clearer guidance on valuation requirements and the limited scope of judicial review when a company reduces its share capital under Section 66, reinforcing that courts will only interfere if the process is procedurally unfair or the valuation is patently

[7]Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd., supra note 2.
[8]Cyrus Mistry v. Tata Sons Ltd., (2021) 6 SCC 1.
[9]Tata Consultancy Services Ltd. v. Cyrus Investments Pvt. Ltd. and connected proceedings; see also Cyrus Mistry v. Tata Sons Ltd., (2021) 6 SCC 1.
[10]Hormouz Phiroze Aderianwalla v. Del. Seatek India (P) Ltd., NCLT, 2024.
[11]Pannalal Bhansali v. Bharti Telecom Limited & Ors., Supreme Court of India, judgment dated 10 March 2026.

unreasonable.

Comparative literature examining the UK's Companies Act, 2006, particularly its unfair prejudice remedy under Section 994[12], is commonly used by Indian scholars to argue that the UK threshold for filing a complaint is lower and more accessible than the Indian one, and that India could learn from this in making the remedy more widely available. A smaller body of writing focused on listed companies discusses how the SEBI "majority of the minority" voting requirement for related party transactions has, in practice, reduced the number of contested transactions being pushed through purely on promoter votes, though enforcement gaps remain where shareholding is spread across nominee and related entities.

5. Methodological Framework

This paper uses doctrinal legal research as its primary method, since the subject matter is essentially about interpreting statutory provisions and judicial precedent rather than collecting field data. The research design combines a broad statistical classification of case outcomes with a close doctrinal reading of the case law, along with an honest account of what this method cannot capture.

One part of the study involves a simple count and classification of reported NCLT and NCLAT orders relating to oppression, mismanagement, and shareholder buyouts between 2021 and 2026, drawn from case digests and legal databases. These cases were classified by outcome, that is, whether relief was granted to the minority shareholder, whether the petition was dismissed, or whether the tribunal ordered a buyout as a middle path. This classification is used only to observe broad patterns, such as how often tribunals actually grant relief compared to how often they decline to interfere, and is not intended as a statistically rigorous sample drawn through random or exhaustive sampling.

The core of the paper, however, involves a close reading of the statutory text of Sections 241 to 246 and Section 66 of the Companies Act, 2013, along with a detailed analysis of the reasoning in key judgments, including Shanti Prasad Jain v. Kalinga Tubes Ltd., Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd., Cyrus Mistry v. Tata Sons Ltd., Tata Consultancy Services Ltd. v. Cyrus Investments Pvt. Ltd., Hormouz Phiroze

[12]Companies Act, 2006 (U.K.), s. 994.

Aderianwalla v. Del. Seatek India (P) Ltd., Cadbury India Limited[13], and Pannalal Bhansali v. Bharti Telecom Limited & Ors. Secondary sources such as law journal articles, bar association publications, and commentary from legal news portals were also studied to understand how practising lawyers and academics interpret these developments.

This paper relies entirely on secondary and reported material and does not include interviews with practising lawyers, tribunal members, or affected shareholders, which means it cannot capture experiences that never reach a reported judgment or a published commentary. The statistical classification used is also limited to reported and digested cases, so unreported settlements and withdrawn petitions, which may account for a meaningful share of actual shareholder disputes, fall outside the scope of this study.

6.Analysis of Evidence

Looking at the pattern of cases studied for this paper, tribunals rarely grant the extreme relief of winding up a company purely on the ground of oppression; the more common outcome, especially where there is a genuine deadlock between shareholders, is an order directing one group to buy out the shares of the other at a fair value, as seen in Hormouz Phiroze Aderianwalla v. Del. Seatek India (P) Ltd.[14], where the NCLT ordered the petitioners to buy out the respondents' shares within six months based on an independent valuation. This shows that tribunals prefer a commercial solution that keeps the company running rather than a punitive one that shuts it down.

The analysis of the Cyrus Mistry litigation[15] also shows that Indian courts set a fairly high bar for what counts as oppression. The Supreme Court's reasoning that removal from a directorship or chairmanship, by itself, does not amount to oppression means that a minority shareholder must show something more, some pattern of unfair or dishonest conduct connected to their rights as a shareholder, and not merely a loss of a management position. This raises the bar considerably for minority shareholders who are also directors and who lose their board position in an internal power struggle. Read alongside the older reasoning in Needle Industries[16], it appears that Indian courts have consistently protected the majority's right to manage the

[13]Cadbury India Limited, (2015) 125 CLA 77 (Bom).
[14]Hormouz Phiroze Aderianwalla v. Del. Seatek India (P) Ltd., supra note 10.
[15]Cyrus Mistry v. Tata Sons Ltd., supra note 8.
[16]Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd., supra note 2.

company while reserving intervention for situations of clear bad faith, a thread that runs from 1981 through to 2021 without major deviation.

In matters involving reduction of share capital and squeeze-outs, the analysis of Cadbury India Limited[17] and the 2026 Bharti Telecom decision[18] shows that courts are willing to give considerable weight to the commercial judgment of the majority, but they still insist on an independent check, namely that the scheme must be fair, reasonable, and properly valued, and that the tribunal's own scrutiny of valuation is limited to cases where the assumptions used are clearly wrong or produce an unreasonable result. A similar trend appears in the NCLAT's approach in Reliance Retail Limited[19], which upheld a selective capital reduction that met statutory and fairness benchmarks. This is a middle path: the majority is not given a free hand, but the minority also cannot block a properly conducted buyout merely because they are unhappy with losing their shareholding.

A practical constraint that repeatedly appears in the literature and in the framing of these cases is the shareholding threshold required to even approach the NCLT under Section 244[20], and the time and cost involved in tribunal litigation, which can stretch across years even though the Companies Act envisages a faster process than ordinary civil courts. Individually held small shareholdings, particularly in listed companies with a widely dispersed shareholder base, often do not cross this threshold, effectively locking out the very investors the provision is meant to protect unless they can organise collective action.

The securities-law track of protection, resting on the SEBI “majority of the minority” rule for related party transactions[21], performs a different function from the tribunal-based oppression remedy: it operates before a transaction is completed, giving minority shareholders a preventive veto rather than a post-facto remedy. Data drawn from shareholder voting outcomes at listed companies suggests that most related party resolutions are still approved, but a small and growing number are being rejected or renegotiated after institutional investors and proxy advisory firms flag concerns, indicating that this preventive track is gradually becoming more meaningful even if it remains limited to the listed company universe.

[17]Cadbury India Limited, supra note 13.
[18]Pannalal Bhansali v. Bharti Telecom Limited & Ors., supra note 11.
[19]Reliance Retail Limited, Company Appeal (AT) No. 155 of 2025, NCLAT.
[20]The Companies Act, 2013, s. 244.
[21]SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, reg. 23, supra note 6.

Comparing the Indian position with the English unfair prejudice remedy under Section 994 of the Companies Act, 2006, the data suggests that the lower filing threshold in England allows a wider range of minority disputes to reach a court, whereas the higher shareholding threshold in India under Section 244 filters out a large number of smaller disputes before they are ever heard on merits. This structural difference, more than any difference in the substantive legal standard, appears to be the biggest reason why Indian minority shareholders report greater difficulty in accessing a remedy compared to their English counterparts.

7. Recommendation

- Lowering the shareholding threshold under Section 244, or creating a simplified route for small individual shareholders to join an existing class action rather than needing to independently meet the threshold, would make the remedy genuinely accessible.

- The NCLT and NCLAT should be given more benches and better staffing so that oppression and mismanagement petitions can be decided within a fixed time frame, since long delays themselves discourage minority shareholders from pursuing valid claims.

- Clearer statutory guidance on what independent valuation standards apply in a squeeze-out or capital reduction, going beyond what courts have worked out case by case, would reduce litigation over valuation disputes.

- Institutional investors and proxy advisory firms should be encouraged, through regulatory incentives, to actively use class actions on behalf of scattered small shareholders, since individual investors rarely have the resources to litigate alone.

- The “majority of the minority” voting mechanism used for related party transactions in listed companies could be extended, in a modified form, to significant related party decisions in large unlisted companies as well, where minority shareholders currently have no equivalent preventive vote.

- Tribunals could be encouraged to publish short reasoned summaries of settled or withdrawn petitions, so that researchers and regulators get a fuller picture of shareholder disputes than reported judgments alone provide.

- Indian law could study the lower threshold used in the United Kingdom's unfair prejudice remedy and consider whether a similarly accessible standard would better serve minority shareholders without opening the floodgates to frivolous litigation.[22]

8. Conclusion

Indian corporate law has come a long way from the rigid rule that only the majority could speak for the company. The Companies Act, 2013, together with decades of judicial interpretation stretching from Needle Industries to the Cyrus Mistry dispute, now gives minority shareholders a real, though not unlimited, set of tools to challenge unfair conduct. Securities regulation adds a further, preventive layer of protection for the shareholders of listed companies, one that operates before harm occurs rather than after.

Recent decisions, from the Cyrus Mistry dispute to the 2026 Bharti Telecom ruling, show a judiciary that is trying to strike a careful balance: protecting genuine minority interests without letting every internal disagreement paralyse a company's management. Even so, this study finds that the practical value of these protections is reduced by procedural hurdles such as shareholding thresholds, the slow pace of tribunal proceedings, and a judicial approach that sets a fairly high bar for proving oppression. A small investor with a genuine grievance may technically have a remedy on paper, but reaching that remedy in practice still takes time, money, and often collective action alongside other shareholders. Strengthening access to these remedies, without diluting the legitimate space for majority-led business decisions, remains the central challenge for Indian company law going forward.

[22]Companies Act, 2006 (U.K.), s. 994, supra note 12.

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