

## **MOOT COURT PROBLEM**

Kata and Co. Ltd. is a national and international service provider and contributors in several sectors viz. Communication, Information Technology, Consumer and Retail market, Financial services, Manufacturing, Promoter of companies etc. Mr. Ram was appointed CEO of Kata and Sons Co. Ltd. after for four consecutive years. The Kapoor family is the second largest stakeholder of the Kata and Sons Co. Ltd. The appointment of Mr. Ram as the CEO was seen more as a generational shift in the Kata Group. Mr. Shayam Lal Kata, the Chairman, Emeritus of Kata and Sons Ltd. was a successor of Sh. M.D.K Kata Co. Ltd. Who has built the empire through his business and accounted from salt to steel conglomerate.

Mr. Ram, on 24th October, 2017 was sacked out by the Kata and Sons Co. Ltd. after meeting of board of director and called for the approval through the general resolution. That was strange to Ram and given a chance for their submission before the Board of Director. The shareholders were known for handling their HR issues so humanly that they could not find a better exit to their CEO under the Company Act, 2013. Discussed the procedure for the appointment of new CEO and removal from the post of the Company under section under sections 149 along with 163 and 242-245 and other relevant sections and judicial observations.

The Kata and Co. Ltd. approved the removal of Mr. Ram from the post of CEO but he decided to appeal before Board of Director and challenge his removal stating the reasons for sacking were not specified by Kata and negates the s fiddling with the culture of 130 yr old company and credential of the office and his reputation. He blame for tarnishing his image before the s shareholder by the chairman. Mr. Ram has started his own business without approval of the Trust. He launched its own dream project without the approval of the board of director of the company. There was unequal distribution of profits between the directors and other shareholders. These charges and manipulation of funds under gratification were raised by the Chairman and the matter came to light through the media and digital media and newspapers. Then the company started to think about the mis-management and embezzlement or illegal business being carried under his supervision. Therefore, with immediate effect he was dismissed and removed from the post.

He claim before the Company Law Board Tribunal against the decision of the Board of Director on the basis of his credentials of business and claiming that he was not indulged in the illegal activities in the Kata group. The performance of the Kata company during Ram's regime acclaimed his sincerity of his decision in the welfare of the shareholder's and stakeholders and challenged the removal from the post of CEO on the basis of the privileges and immunities of the post. He argued that it is a clear violation of the directions of the Company Law Board in its various decision and guideline. It did not paint a galvanizing picture. If you let alone luxurious cars, all other entities had their accounts RED. A Director cannot be sacked on fictitious grounds. The deal of the Kata with the Japanese-telecom giant, MOKOMO; ended up Kata's by paying \$ 1.2 billion in arbitration award and it became a reason of lose to

exchequer of the Company. The Governing bodies of the Kata & son's have to take the decision in a meeting of the board of director's for final approval of sacking of Mr. Ram.

Relentless allegations appeared from Ram side for interfering in his decision's in company decision making. He also accused Kata of 'Operation of Minority' claiming that Kata was trying to reduce the stake of Kapoor's family in the Kata and Co. Ltd. and reduce the voting rights of shareholders. During all this, Mrs. T. Wadia emerged as a supporter an independent director at four of the Kata's entities. The board tried to sack him for saying that things were not in general interest of the company. But apparently they could not do so, because the Board meeting did not favour her sacking and removal.

Later Ms. Wadia ended up filling a suit of manipulation of the power of the stakeholders in Kata and Sons Ltd. The Company Law Board has to take action against the Chief Director of the Kata and Co. Ltd. For the violation of the Law and Procedure. The interest of the minority share holder and stakeholder a cause of concern in the general meeting of the Board of Directors. The expansion of the business carried out by the CEO is the violation of credential of business of the company.

To conclude, the controversy was about goals or vision for money, but vision that symbolizes trust and Kata had invested and earned. A committee was forced four months to decide the successor "Mr. M Gopal Swamy" became the new CEO of the Kata Co. Ltd. and remember for his well place in history and will be remember warmly as his ancestor's.

Discuss the Law and Procedure for the selection of the new successor's of the company and highlighting the violation of "Principles of Natural Justice" in the removal of the CEO on the following contentions:-

- a) Whether the removal of Mr. Ram without notice is a violation of the Natural Justice Principle and appointment of the Interim Chairman by the Trustee is the basic violation of this principle?
- b) Whether the Lack of transparency and impartiality to right of vote to the Minority shareholder and promoters and stakeholders.
- c) Discuss the violation of the Minority shareholders on the part of the majority shareholders.
- d) Discuss the liability highlighting the Corporate Social liability of the reputed company .

**Note:** Prepare and draft the memorial before the National Company Law Board on the basis of the laws and procedure in this matter and discuss the judicial precedents. These issues are not exhaustive. The participant can go through the other similar issues relevant to the problem.