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## A Study On Fiduciary Duties And Liabilities Of Directors Under Companies Act With Recent Case Laws

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### ABSTRACT

Directors are crucial to corporate governance, acting on behalf of shareholders and ensuring compliance with laws. They have fiduciary duties of loyalty, care, and good faith, which are essential for ethical management. The legal definition of a director is broad, and judicial interpretations have expanded its applicability across various contexts. The codification of directors' duties in statutory law reflects a shift from common law principles to a more structured legal framework. This summary captures the essential elements of the document regarding the roles, responsibilities, and legal definitions of directors within the corporate governance framework in India.

### KEYWORDS

Company Directors, fiduciary duties, liability of directors, companies Act

### 1. INTRODUCTION

Directors are individuals who collectively form the Board of Directors, which is the primary executive authority responsible for managing and controlling a company's affairs. They act on behalf of the shareholders, setting strategic direction, overseeing operations, and ensuring compliance with legal and regulatory obligations. The number of directors required varies by jurisdiction; for example, private companies in India must have at least one director, while public companies require a minimum of three.

#### 1.1 Fiduciary Duties

Directors owe the company several fiduciary duties, including, Duty of Loyalty: Directors must act in the best interests of the company, prioritizing the company's welfare over personal interests. Duty of Care: they are required to exercise diligence and integrity in their decision-making processes. Duty of Good Faith: Directors must act honestly and with the intention of furthering the company's interests. Collective Management: The Board of Directors operates collectively, meaning that decisions are made as a group rather than by individual directors acting independently. Any action taken by an individual director is not binding on the company unless it has been authorized by a board resolution.

These duties ensure that directors manage the company responsibly and ethically, serving as guardians of the stakeholders' and members' interests.

## 1.2. Legal Definition

According to Section 2(34) of the Companies Act, 2013, a 'director' is defined as "a director appointed to the board of a company." This definition is broad and includes any person occupying the position of a director, regardless of their title. The term 'director' has also been referenced in other legislation, indicating its significance in various contexts.

## 1.3. Judicial Interpretation

In the landmark case *Agrawal Trading Corpn. v. Collector of Customs* (1972), the Supreme Court noted that the term 'director' can refer to a partner in the context of a firm, further illustrating the flexibility of the term across different legal frameworks. In essence, directors are elected or appointed individuals endowed with the authority to manage and direct a company's affairs. They play a crucial role in decision-making during board meetings and must adhere to the provisions of the Companies Act, 2013, while upholding high standards of corporate governance. Directors are the supreme executive authority within a company. They owe fiduciary duties of loyalty, care, and good faith to the company. The Board of Directors operates collectively, with individual actions requiring board approval. The legal definition of a director is broad and encompasses various roles across different contexts.

## 1.4. Literature Review

Historically, directors' duties were governed by the common law principles of negligence and the equitable doctrines of fiduciary duty. These duties were later codified in statutory law—specifically in Section 166 of the Companies Act, 2013 in India. In contrast, the Indian Companies Act, 2013 does not contain any express provision requiring that directors' statutory duties under Section 166 be interpreted with reference to common law or equity. Although Indian courts may still draw from such principles in practice, the legislation itself does not mandate it. This article undertakes a comparative study of directors' duties under both legal regimes. It focuses on the duties to act within powers, to exercise reasonable care, skill, and diligence, and to promote the success of the company. Additionally, the paper addresses the duties directors owe to shareholders, as well as to other stakeholders [1].

Atherton et al, examines the evolution and current limitations of fiduciary duties within corporate governance. It argues that modern fiduciary responsibilities—mainly loyalty, care, and good faith—are derived from historical, legal, and religious origins, but have become narrowly defined over time, diminishing their moral and ethical scope. The authors advocate for reviving these foundational principles to foster greater accountability, stakeholder engagement, and trust in corporations. They emphasize that aligning fiduciary duties with ethical obligations and corporate social responsibility can help address ongoing issues of misconduct and improve corporate legitimacy. Ultimately, the paper calls for a unified, historically rooted understanding of fiduciary duties that guides responsible and ethical corporate behavior [2].

This document explores the fiduciary relationship between a company and its directors, examining its meaning, formation, and characteristics. It also discusses different types of directors and to whom their duties are owed. The analysis includes a comparative look at the fiduciary relationship in Australia and Delaware, USA, alongside South Africa, to identify similarities and differences. The document proposes a set of characteristics to consider when determining the existence of a fiduciary relationship, without suggesting a closed list.

In Australia, similar to South Africa, directors have a fiduciary relationship with the corporation. The categories of persons in such a relationship are not expressly defined, and courts prefer a case-by-case approach. Duties are based on loyalty, good faith, and avoiding conflicts of interest. Mason J. notes that a fiduciary acts in the interest of another, with inherent dangers of abuse.

Delaware differs in that directors owe a duty of loyalty and care to the corporation and its shareholders. The duty of loyalty mandates directors act in good faith and in the best interests of the corporation. The business judgment rule protects directors from liability if decisions are made in good faith, with due care, and on an informed basis.

The document further defines different types of directors, including executive and non-executive directors. Executive directors are full-time employees involved in day-to-day management, while non-executive directors are part-time and not involved in daily operations. Despite these differences, both types have the same fiduciary duties. De facto directors undertake functions that could only be discharged by a director, participating in directing the company's affairs on an equal footing with de jure directors. Shadow directors are those whose directions or instructions the company directors are accustomed to act upon.

Prescribed officers are defined as those who exercise general executive control over a significant portion of the company's business. The definition is broad, potentially including a company secretary. Shadow directors may qualify as prescribed officers [3].

Liabilities of Directors under Companies Act, 2013 are, Statutory Liability: Directors must comply with duties under Sections 166, 177, 178, 185–187, 188, 447 etc. Violation leads to fines, imprisonment, or both. Example: Contravention of Section 185 (loans to directors) attracts penalty. Civil Liability: Directors are personally liable for losses caused to the company / shareholders due to negligence, breach of duty, or ultra vires acts. They can be sued for compensation / damages. Example: Mismanagement or diversion of funds. Criminal Liability: If directors are involved in fraud, misstatements in prospectus (Sec. 34, 35), insider trading, or fraudulent activities (Sec. 447), they can face imprisonment & fines. Liability for Misstatements in Prospectus: Under Sec. 34 & 35, directors are liable for false statements or concealment of material facts in the prospectus. Liability for Fraudulent Conduct of Business: Under Sec. 339 (Companies Act, 2013), in winding up, directors may be made personally liable for debts if found guilty of fraudulent conduct. Tax & Other Regulatory Liabilities: Directors can be held liable for unpaid taxes, GST, PF, ESI dues, etc., if the company defaults and negligence is proved.

## 2. FIDUCIARY DUTIES OF DIRECTORS

The term "fiduciary" originates from the Latin "fiducia," meaning "trust." A fiduciary relationship involves a duty to protect the interests of another party. Courts consider factors like discretion, influence, vulnerability, and trust when determining if such a relationship exists. A fiduciary undertakes to act for or on behalf of another, creating a relationship of trust and confidence. Key elements marking fiduciary duties include the scope for discretion, the unilateral use of that power, and the vulnerability to the exercise of that discretion.

A company is an artificial person that exists only in contemplation of law and has a different legal personality from its members. Because the directors have fiduciary responsibility for the company and are entrusted with its governance and management, they have frequently been referred to as agents, trustees, or representatives of the corporate body. Section 291 of Companies Act, 1956 provided a basic description of director's responsibilities. Due to the lack of a codified responsibility structure, legal matters involving director duties were handled using common law and equity principles, which created confusion and possible legal circumvention. Section 166, which clearly outlines the statutory obligations of a director, was included in the

Companies Act of 2013 in response to the Dr. J.J. Irani Committee report on company law, 2005.<sup>1</sup> Nevertheless, Section 166 doesn't specifically refer to what would constitute "fiduciary duty", even if it describes broad director responsibilities.

Examining Section 166 of Companies Act, 2013: A director of a company is required by Section 166(2) of Companies Act, 2013 to act in good faith to further the company's goals for the benefit of all of its members. The director must also act in the company's best interests as well as those of its shareholders, workers, community, and the environment. Promoting the objectives of the company and defending the interests of its stakeholders are the two main obligations to act in good faith, according to a straight reading of the statute. The common law before codifications cast upon a duty of loyalty which included the duty to act in good faith in the best interest of the company. Directors in India are now required to actively prioritize the best interests of stakeholders and shareholders in the current scenario. This, however, raises questions about whether or not interested parties are entitled to bring legal action if the fiduciary duty that the clause ensures is violated. Section 166(4) of the Act codifies the common law principles of no conflict, no profit, as established in *Regal (Hastings) v. Gulliver*,<sup>2</sup> and the corporate opportunity rule, which was scrutinized in *Bhullar v. Bhullar*.<sup>3</sup> The sole Indian case examining the Corporate Opportunity Principle is *Vaishnav Shorūlal Puri v. Seaworld Shipping and Logistics Pvt. Ltd.*<sup>5</sup> in which the Court used Section 88 of the Indian Trusts Act, 1882 to determine the fiduciary's obligations, thereby representing a nebulous application of the UK and US positions on the principle.

Fiduciary Duty in India and Judicial Trend: The concept of fiduciary duty stems from the notion of acting in good faith. Between two persons one is bound to protect the interests of the other and if the former availing of that relationship makes an unjust enrichment or unjust benefit derived from another, it is against the ethos of fiduciary duty.<sup>6</sup> The idea of behaving in good faith serves as the foundation for the concept of fiduciary duty. When two persons (natural or juristic) are in a relationship, one has to protect the other's interests. A fiduciary obligation is violated if the former takes use of this relationship to obtain an unfair benefit or unjust profit from the latter. A director's fiduciary duty is frequently compared to a trustee's duties to a beneficiary. Directors must act in the best interests of their beneficiary, which in this case is the firm or its stakeholders, in their capacity as trustees. This parallel dates back to the *Percival v. Wright*<sup>7</sup> case in England, where it was decided that directors had a dual role with the corporation, acting as trustees and agents.

To Whom Duty of Fiduciary Owed: As a general rule, a fiduciary relationship only applies to the company and is not assumed between a director and a shareholder. The idea put forth in *Percival v. Wright* is still recognized as a good legal precedent today and has been reinforced in several English cases.<sup>11</sup> Although it is widely acknowledged in Indian doctrine that directors have no fiduciary duty to shareholders, under some unique and extraordinary situations, this obligation is triggered. The case of *Sangramsing P. Gaekwad*<sup>12</sup> is a landmark case on the fiduciary duties of the directors vis a vis the company and shareholders. The Court relied upon a variety of cases to conclude that under special circumstances, such as, directors placing the onus upon themselves to advise the shareholders, in case of takeover of bid, usage of powers for extraneous purposes, when tenets of agency such as trust, confidentiality and loyalty arise, when additional shares are acquired to benefit the company and in the process directors make a pecuniary gain with an ulterior motive, <sup>13</sup> a digression can be made from the settled position of law which recognizes fiduciary duty of a director only in context of the company. As a result, the court established a special circumstance/special arrangement exception to the *Percival* rule.

Therefore, it is abundantly clear from the aforementioned Common law rulings and precedents in Indian courts that directors do not have an ongoing absolute fiduciary duty to shareholders. However, there appears to be an exception to this rule in certain unique circumstances, but courts have not clearly defined the criteria to

identify instances in which directors breach their fiduciary duty to shareholders. As a result, this obligation to shareholders is determined case-by-case and is dependent upon a careful analysis of the relevant facts and circumstances. The duties of directors are growing as the business environment gets more complex, and at the same time, the definition of fiduciary duty is changing.<sup>14</sup> Before the implementation of Section 166, the Court made an effort to interpret the statute in a way that upheld good faith and equity. Similar ideas are included in Section 166 of the amended Act, which clearly defines “officers in default” as stated in Section 2(60). Section 2(60)'s inclusion highlights the statute's dedication to protecting parties who have been harmed and acts as a disincentive to commit wrongdoing because breaking the law is punishable by law. The main objection to section 166 is that it does not adequately protect the rights of stakeholders who are not shareholders, such as suppliers and customers. Section 166(2) appears to address this issue, but implementation issues make it ineffective and leave stakeholders without a way to hold directors accountable for duty breaches. To sum up, it is critical to understand the difference between directors' fiduciary duties to the company and shareholders. Although these responsibilities are not interchangeable, it is crucial to understand that fiduciary duties could nevertheless arise in particular circumstances that fit certain criteria and recognized types of fiduciary relationships, like agency, which includes duties of loyalty, trust, and confidence.<sup>15</sup> Therefore, the idea of a fiduciary relationship between a director and the current shareholders would typically not be invoked in the absence of exceptional circumstances or reasons.

The document also addresses the argument that shareholder ratification is still possible under the 2013 Act through Section 188, which deals with related party transactions. However, it argues that even this post-facto ratification is limited by Section 166(5), which prevents directors from gaining undue advantages for themselves or their relatives. Judicial authorities are distinguishable based on the facts.

### **3. LIABILITIES OF DIRECTORS**

The guide provides a comprehensive overview of directors' liabilities under the Companies Act, 2013. It explains the modes of insulation available to protect directors from liability, such as self-created mechanisms, strong and independent Boards, diversity, legal compliance systems, and routine updates on legal evolution . It discusses various liability scenarios, including breach of fiduciary duties, ultra vires acts, negligent acts, and mala fide actions . The document emphasizes that liabilities often arise from fiduciary failures, illegal acts, or acts beyond authority, such as using company funds illicitly or providing bribes .

It highlights specific provisions like Section 149(12), which offers insulation to independent and non-executive directors unless they have actual knowledge or involvement in misconduct . Nominee directors' liabilities are also addressed, emphasizing their duty to act in good faith and confidentiality .

Furthermore, the guide discusses shadow directors—those whose advice or directions the Board follows—and their potential liability . It also touches on the importance of sound board practices, legal compliance systems, remuneration structures, and responsible decision-making to mitigate risks .

Overall, the document underscores that director liabilities vary based on their role, conduct, and adherence to legal and fiduciary duties. Proper governance, compliance, and protective mechanisms are essential to safeguard directors from personal liability under the law.

## 4. CASE STUDIES

In the case of *Globe Motors Ltd. v. Mehta Teja Singh* the dual role of directors with the company i.e. as trustee and agent was reiterated. It is clear that, even though the term "fiduciary capacity" is not well defined, it denotes a relationship similar to that which exists between a trustee and the beneficiaries of a trust. The phrase covers a wider range of circumstances, including those in which parties are positioned in accordance with mutual trust, confidence, and good faith. In the case of the *Central Board of Secondary Education and Anr. v. Adiya Bandopadhyay and Ors.* the Supreme Court explained the terms 'fiduciary' and 'fiduciary relationship' in para 39 as when someone has an obligation to act in another person's best interests while exhibiting honesty and good faith, that person is referred to as a fiduciary. This is especially true when the other party places exceptional trust and confidence in the person performing the duty. A scenario or transaction in which one person (beneficiary) fully trusts another (fiduciary) with regard to his affairs, business, or transaction(s) is referred to as a "fiduciary relationship." A person who keeps something in trust for another (beneficiary) is also referred to by this name.

The Supreme Court in the judgment of *Sangramsinh P. Gaekwad and Ors. Vs. Shantadevi P. Gaekwad (Dead) thr. Lrs. and Ors* in para 52 held that directors are not required by fiduciary law to advise current shareholders on how best to sell their shares. This is so because directors are not typically considered to be the agents of their shareholders and are not charged with managing their shares. However, the Court stressed that directors must behave in good faith and refrain from any deliberate or careless deception or fraud if they freely provide advice to current shareholders. Regarding the director's fiduciary duty to current shareholders as share sellers and their duty to protect the company's assets and finances, a clear division has been established. Protecting the company's interests is the priority when there is a conflict between the interests of the shareholders and the company.

### 4.1. *Rajeev Saumitra vs Neetu Singh & Ors* on 27 January, 2016

**Purpose of Sections 397, 398, 402, and 408:** The primary objective of these sections is to rectify wrongs and implement preventive measures to avoid future occurrences. The Company Law Board (CLB) is empowered to take both remedial and preventive actions to regulate the company's affairs and resolve complaints effectively.

**Remedial Actions Ordered:** The court directs respondent No. 2 to restore the sale consideration received from discounted sales and recover amounts siphoned from respondent No. 1's accounts. This is aimed at addressing the financial discrepancies and ensuring fair treatment of the parties involved. Due to a deadlock in respondent No. 1, the court instructs both parties to negotiate a mutually acceptable amount for the petitioner to exit the company. If no agreement is reached within a month, both parties must appear in court to bid for shares, with the higher bidder purchasing the other's shares. **Equitable Relief and Conduct of Parties:** Ms. Luthra argues that for a party to seek an injunction, they must demonstrate that they are not at fault and have acted fairly and honestly. The conduct of the party seeking relief should be equitable, as established in the case of *Gujarat Bottling Co. Ltd. v. Coca Cola Co. and Ors.*

**Evidence of Wrongdoing:** The plaintiff presents clear evidence indicating that defendant No. 1 attempted to divert business from defendant No. 3 by establishing competing businesses while still serving as a director of defendant No. 3. This includes messages suggesting a competitive stance against defendant No. 3. Defendant No. 1 is accused of luring students from defendant No. 3 by offering discounts to entice them to join her competing business, *KD Campus Pvt. Ltd.* This conduct is seen as a breach of fiduciary duty and raises concerns about the integrity of her actions as a director.

**Implications of Conduct:** The court notes that the conduct of defendant No. 1, including the admission of starting a similar business, undermines her position and raises questions about her commitment to the interests of defendant No. 3. The evidence suggests a conflict of interest and potential misconduct that could warrant further legal scrutiny. **Key Points:** The court emphasizes the importance of fair conduct in seeking equitable relief. The actions of defendant No. 1 raise significant concerns regarding her fiduciary responsibilities and the integrity of her dealings with the company. The court's directives aim to restore fairness and accountability within the corporate structure, addressing both financial and ethical dimensions of the case.

#### **4.2. Atmaram Modi vs Ecl Agrotech Ltd. And Ors. on 15 July, 1999**

The petition is filed under Sections 397 and 398 of the Companies Act, 1956, by the petitioner and twelve other shareholders, collectively holding 25% of the shares in ECL Agrotech Limited. The petition alleges acts of oppression and mismanagement within the company. The primary grievance is the wrongful removal of the petitioner from his position as a director, which is claimed to be an act of oppression given the quasi-partnership nature of the company. Additional allegations include the siphoning off of funds by the respondents.

**Reliefs Sought:** The petitioner seeks various reliefs, including: A declaration that he continues to be a director of the company. A declaration that the company operates as a quasi-partnership. An injunction against the respondents from violating partnership principles in managing the company. Directions for the respondents to purchase the shares held by the petitioners or, alternatively, to sell their shares to the petitioners. **Company Background:** ECL Agrotech Limited was incorporated in June 1995 by four groups, including the petitioner and the second to fourth respondents, each holding 25% of the shares. The company was established to take over the business of ECL, a unit of Electro Steel Castings Limited, which was involved in high breed seeds. The unit was led by P. Bhotika, who later joined ECL Agrotech. The company acquired the unit along with its assets and liabilities for Rs. 75 lakhs, with Heinz being one of its main customers. **Conflict Development:** In May 1996, the petitioner (as chairman) and P. Bhotika traveled to the USA and Germany to explore export opportunities, incurring Rs. 7 lakhs in expenses from company funds. Following their return, conflicts arose between the petitioner and the other respondents, leading to the petitioner being barred from attending the office. The respondents sought to appoint Arun Aggarwal as the chief executive. The petitioner ceased attending the office from August 1996. There was an attempt by the petitioner's group to sell their shares to the respondents, with an arbitrator valuing the shares at Rs. 17.5 lakhs, but this transaction did not materialize. **Formation of New Company:** In response to the ongoing issues, the petitioner established a new company, Oriental Biotech Limited, to continue pursuing the seeds business. **Key Points:** The petition highlights serious allegations of oppression and mismanagement within ECL Agrotech Limited, emphasizing the quasi-partnership nature of the company.

The conflict between the petitioner and the respondents escalated following a significant business trip, leading to the petitioner's removal and subsequent actions to establish a new venture. The reliefs sought by the petitioner aim to restore his position and address the alleged financial misconduct within the company.

#### **4.3. Su-Kam Power Systems Ltd. vs Mr. Kunwer Sachdev & Anr. on 30 October, 2019**

The deed of assignment is void for breach of fiduciary duty and on account of lack of quorum as the votes of defendant no.1 and his wife would have to be disregarded for being interested directors. In the opinion of this Court, the Deed of Assignment is void for breach of fiduciary duty, as it had been executed by defendant no.1, both as assignor and assignee and it purports to transfer the substratum of plaintiff's business to its Director (defendant no. 1) for nominal consideration of Rs. 5,000/- by an alleged recordal twelve years later and that too after commencement of Corporate Insolvency Resolution Process. Whenever it can be shown that the

trustee has so arranged matters as to obtain an advantage whether in money or money's worth to himself personally through the execution of his trust, he will not be permitted to retain, but be compelled to make it over to his constituent.

Thus it cannot be disputed that the fiduciary duties of directors are basically the same as those of other trustees and they are expected to display the utmost good faith towards the company whether their dealings are with the company or on behalf of the company. They should not use the company's money or other property or information or other matters in their possession in their capacity of directors, in order to gain any advantage to themselves at the expense of the company, and if they make any profit for themselves or cause any damage to the company, they will liable to make good the same to the company. Similar observations were made in the Report of the High-Powered Expert Committee on Companies and MRTTP Acts (1978) which succinctly expresses the legal position of the directors as follows: Directors are appointed to act in the interests of the company and an important area of their legal responsibility stems from the law of trusts--they have a fiduciary relationship with the company. The duties arising from the relationship are well defined viz. to exercise their powers for the benefit of the company, to avoid a conflict of interests, and a duty not to restrict their right (by contract or otherwise) in freely and fully exercise their duties and powers. In addition to their fiduciary duties, directors also owe a duty of care to the company not to act negligently in the management of its affairs the standard being that of a reasonable man looking after his own affairs.

#### **4.4. Vaishnav Shorilal Puri And Ors. And ... vs Kishore Kundanlal Sippy And Ors. on 23 February, 2004**

**Company Law Board's Common Judgment:** The Company Law Board (CLB) disposed of both company petitions with a common judgment and order. An interim order was issued allowing for the inspection of the records of the two companies involved. During this inspection, certain deficiencies and diversions were noted, primarily related to the financial years 1999-2000 and 2000-2001. **Investigation Request:** The Sippy group requested an investigation into the affairs of the two companies and other related companies based on the findings from the inspection. However, the CLB rejected this request, concluding that no sufficient case for an investigation was established. The Board noted that both groups held equal shares (50% each) and had equal representation on the board, implying that any deficiencies could not have occurred without the knowledge and consent of both groups.

**Cordial Relations and Accountability:** The CLB observed that as long as the relationship between the two groups remained cordial, actions taken by one group were likely approved or condoned by the other. This mutual understanding contributed to the decision against initiating an investigation. **Controversy Regarding SSTS:** The main controversy in the appeals revolves around the Puri group and whether they breached their fiduciary duties to SSTS by securing a contract with Seaworld Shipping and Logistics Pvt. Ltd. (SSL). The CLB examined whether the Puri group and SSL were accountable to SSTS for the benefits derived from the contract with Contship, which was initially included as a respondent but later removed from the proceedings by the Board. **Key Points:** The CLB found no grounds for an investigation into the companies due to the equal shareholding and board representation of both groups.

The cordial relationship between the groups was a significant factor in the Board's decision, indicating that any deficiencies noted were likely known to both parties. The Puri group's actions regarding the contract with SSL and their fiduciary duties to SSTS are central to the ongoing legal controversy.

#### 4.5. Tata Consultancy Services Limited vs Cyrus Investments Pvt Ltd on 26 March, 2021

**Background on Articles of Association:** The Articles of Association in question have never been opposed by the complainant companies or by CPM (the individual involved) at any time in the past. Article 75 has been in effect even before the complainant companies acquired their shares. **Allegations of Breach of Fiduciary Duties:** The complainant companies allege that the Trust nominee Directors breached their fiduciary duties and failed to fulfill their responsibilities as outlined in Sections 149 and 166 of the Companies Act, 2013, along with Schedule IV (Code for Independent Directors). The only evidence provided by the complainants to support their allegations is the Minutes of a meeting held on October 24, 2016, during which CPM was removed from his position as Executive Chairman. The complainants argue that this removal constitutes oppression of minority shareholders; however, it is stated that this removal did not infringe upon the rights of the complainant companies as shareholders.

**Independence of the Board:** The text emphasizes that proprietary rights include the right to be governed according to the Articles of Association and the Companies Act. The independence and autonomy of the Board are protected by law, and any interference by majority shareholders that undermines this independence is considered an infringement on the rights of minority shareholders. **Misinterpretation of Articles:** Articles 104B, 121, and 121A have been allegedly misinterpreted to suggest that majority shareholders have the right to seek pre-consultation or pre-clearance before matters are presented to the Board of Tata Sons or Tata Operating Companies. The right to nominate one-third of the directors by Tata Trusts (Article 104B) and the requirement for an affirmative vote from a majority of nominee directors (Article 121) do not diminish the fiduciary duty of these directors to act solely in the interests of the company.

**Removal of CPM:** CPM was removed from the position of Executive Chairman of Tata Sons but retained his directorship, as per the resolution of the Board on October 24, 2016. This removal is identified as the catalyst for CPM to initiate legal action against the company, claiming oppression and prejudice against minority shareholders. **Legal Questions to be Addressed:** The text outlines two key legal questions for consideration: Whether the removal of CPM can be deemed a basis for alleging that the company's affairs are being conducted in a manner oppressive or prejudicial to the interests of some members. Whether the findings of the NCLAT regarding the existence of a just and equitable clause align with established legal principles. **Key Points:** The complainants have not provided sufficient evidence to substantiate their claims of fiduciary duty breaches beyond the minutes of a single meeting. The independence of the Board and the rights of minority shareholders are emphasized, with a clear distinction made regarding the fiduciary duties of nominee directors. The removal of CPM is positioned as a significant event that triggered legal action, raising questions about the nature of corporate governance and shareholder rights.

## 5. CONCLUSION

Directors form the Board of Directors, which is the primary authority responsible for managing a company's affairs. They represent shareholders, set strategic directions, oversee operations, and ensure compliance with legal obligations. The number of directors required varies by jurisdiction, with private companies in India needing at least one director and public companies requiring a minimum of three. **Fiduciary Duties:** Directors owe several fiduciary duties to the company, including: **Duty of Loyalty:** Prioritizing the company's interests over personal interests. **Duty of Care:** Exercising diligence and integrity in decision-making. **Duty of Good Faith:** Acting honestly and with the intention of furthering the company's interests. **Collective Management:** Decisions are made collectively by the Board, and actions by individual directors are only binding if authorized by a board resolution.

These duties ensure responsible and ethical management, safeguarding the interests of stakeholders and members. Legal Definition: According to Section 2(34) of the Companies Act, 2013, a 'director' is defined as "a director appointed to the board of a company." This definition is broad, encompassing any individual in the role of a director, regardless of title. The term is significant across various legal contexts. Judicial Interpretation: In the case of *Agrawal Trading Corpn. v. Collector of Customs* (1972), the Supreme Court indicated that the term 'director' could also refer to a partner in a firm, demonstrating the term's flexibility across different legal frameworks. Historically, directors' duties were governed by common law principles and equitable doctrines of fiduciary duty. These were later codified in statutory law, particularly in Section 166 of the Companies Act, 2013 in India.

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