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GENDER DISCRIMINATION ON CORPORATE BOARD: A STUDY IN THE LIGHT OF MURUGAPPA CASE¹²

AUTHORED BY - LAKSHMY S & DR. P V NAGENDRA SARMA

Abstract:

In today's era, the discussion of the position of women in various fields is much discussed. Looking at the Vedic period, the discussion on the social standing of women was non-essential, as in this period they enjoyed their position as equal to the position enjoyed by men. The situation changed in the succeeding period. The drastic change in women's position has later been seen in almost all sectors. Here, the article is dealing specifically with women's positions on corporate boards. The corporate sector is a fascinating one for a common guy. This sector is part of any country's economic development, and the income provided by this sector is an attractive one for common people. The purpose of this paper is to analyse whether the perks of working in the corporate sector are the same for all, i.e., without any gender discrimination. The same is studied with the help of a recent case, Ambadi Investment Ltd. v. M. V. Valli Murugappan.

INTRODUCTION

India is at a rapid pace of development. Each sector is up to it. The Indian corporate sector is one of them. Once, this sector was lacking investor confidence as many big companies and financial institutions turned to fraud. Investor confidence was slumping. The loopholes in our legal system make the situation even worse. The bumper required the Indian government to make the laws more sufficient. The SEBI Act, the IBC Code, the Companies Act, 2013, etc. were introduced in the later stages to strengthen the laws, boost investor confidence, and thereby magnify this sector. The Indian government has eased many laws and procedures for the companies to make working friendly. Despite all these benefits, the industry lacks a supportive atmosphere for women in senior managerial roles.

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India is known for family business. In India, family enterprises have a long history, with many of them lasting through the generations to play a crucial role in the country's economic development. Since independence, a large number of new-generation family enterprises inspired by the ideals of the promoters and owners have emerged as a result of entrepreneurial passion and ambition. Startups increased dramatically around the turn of the century, but family companies have thrived nonetheless, contributing 79% of the nation's annual GDP. With families owning and operating more than two-thirds of all enterprises worldwide, this is in keeping with current trends.³

In terms of women's representation, especially in the top managerial positions of companies, most women get it as a legacy, except a few. There is no cynicism about women's capacity to reach the top corporate managerial position. But there are many factors that actually pull women back from achieving something of this kind. Generally speaking, women encounter substantially fewer difficulties in family businesses. The Murugappa case, among other recent occurrences, demonstrates that things are not as simple for them as they apparently seemed.

The paper tries to analyse the present position of women in the corporate sector through the Murugappa case.

The Murugappa Case

The petitioner, Valli Murugappan, filed this case in the NCLT, Chennai, which is M. V. Valli Murugappan, Anr. v. Ambadi Investment Pvt. Ltd., and 13 others. The petitioner filed this case under the provision of oppression and mismanagement. Valli Murugappan's 8.15 percent stake in the company makes her a minority shareholder. The Companies Act 2013 provides provision for application to a tribunal in cases of oppression, etc.⁴ The petitioner makes a waiver application under Section 244 of the Companies Act, 2013.⁵ The provision allows the Company Tribunal to waive all or any of the requirements specified in section 241 Cl (a) or 241 (b)⁶, if any application made to it in this behalf.

The case also points out the gender discrimination prevailing in the corporate world in the present century. Valli Murugappan is the daughter of M V Murugappa, who was the executive chairman

³ Priyavrata Mafatlal, Family Businesses- Leading the "Make in India" Movement, The Times of India, (Oct.1, 2023, 10 AM), <https://timesofindia.indiatimes.com/blogs/voices/family-businesses-leading-the-make-in-india-movement>

⁴ Section 241, The Companies Act, 2013

⁵ The Companies Act, 2013. ACT NO. 18 OF 2013.

⁶ Ibid

of Murugappa group of companies. After his death in 2017, M V Murugappan left his wife and two daughters his 8.15% stake in Ambadi Investments, the group holding firm, through a probate.⁷ The Murugappa family owns 91% of the publicly traded, unlisted business. Murugappa Group companies run family businesses, and only MV Murugappa is the one who has no son. After her father's demise the petition demanded for her position.

Before the other branches of the Murugappa group family, she had put out two proposals: either buy her family's 8.15% share in Ambadi Investments Ltd. at a reasonable valuation, or offer her or her sister Vellachi Murugappan a seat on the board. The Hindu Succession (Amendment) Act, 2005 allows females to inherit equally with sons and allows women to become the karta, or head of the family.⁸ The karta of the MVM Hindu undivided family, who owns the share in Ambadi Investments Ltd., is Arunachalam. Ambadi Investments Ltd. is a Systemically Important Non-Deposit Accepting Core Investment Company (CIC) that is registered with the Reserve Bank of India (RBI). Its primary function as a Core Investment Company is holding company, with investments in other group firms and subsidiaries.⁹ The Murugappa group first approved her demand but never executed it.

Mrs. Arunachalam is alleging that it is pure gender discrimination as her family is a male-dominated one and only M. V. Murugappa has no son, only daughters. Till today, in their family business, no women get a position or involvement.

She had claimed that the other members of her family had excluded her from the board solely because of her gender. She filed the suit after the all-male board, which consisted of her uncles and cousins, decided unanimously to deny her request to join the holding company's board of directors. In order to proceed with her claim against Ambadi Investments, Valli and her family have filed waiver application with the NCLT¹⁰ in Chennai, demanding a relaxation of the minimum shareholding threshold of 10%.¹¹

The case was filed in the year 2020, and now, in 2023, the case has reached settlement.

⁷ The Economic Times, <https://economictimes.indiatimes.com/news/company/corporate-trends/murugappa-group-family-rift-elder-daughter-threatens-to-take-legal-recourse/articleshow/73179096.cms> (Nov 12, 2023)

⁸ Section 6, Hindu Succession Act, 1956

⁹ T E Narasimhan, Succession saga at Murugappa group gets murkier, Rediff.com, (10 Nov, 2023, 10 AM), <https://www.rediff.com/money/report/succession-saga-at-murugappa-group-gets-murkier---/20210311.htm>

¹⁰ National Company Law Tribunal

¹¹ The Hindu Business Line, <https://www.thehindubusinessline.com/companies/valli-arunachalams-battle-for-board-space-ends-as-murugappa-family-settles-disputes/article67216166.ece> (Nov.13, 10 PM)

Within the next ninety days, the family members agree to complete the required transactions to implement the family arrangement," the group stated. In keeping with the conditions of the family arrangement, "the parties have also agreed that all legal proceedings between the family groups will be withdrawn after all agreed steps specified in the family settlement have been completed," the group said in a statement.

According to the group's statement, the primary objectives of the family arrangement are to preserve harmony within the Murugappa family for the present as well as the future, as well as to nurture amity and goodwill among its members. Based on the family's 8.23% interest in the group's holding company, Arunachalam had asked a board seat.¹²

After the settlement, the varied group may enter a stable period as a result of the litigation being withdrawn.¹³

Postulation in the Murugappa Group Case

Even though the case has been settled, the practices that have been adopted by the Murugappa group of companies have never been right. The incident shows the corporate outlook towards women's leadership. Many have been talking about women's empowerment, and in many fields, visible changes have been seen with respect to women's empowerment. The corporate sector is no exception to this. Surprisingly, the Murugappa group's attitude towards women on board was never questioned by anyone. Even the incident never had an impact on investor confidence. The case was filed by Valli Arunachalam in the year 2020, and it was settled in the year 2023. The Murugappa Group of Companies' growth figures can be analysed to determine that the company grew by 31% in the fiscal year 2022 and 36% in the following year. Even though the case got much attention from the public, the end result was such that they considered it a family dispute. In India, the corporate sector has been influenced by family businesses. For a woman, to make her position in the managerial position is a herculean task, but it is visible that if she is part of a business family, then it is comparatively easy for her to make her position. This case was against such notion. They were impaired by the gender biased system within this sector. They fought for their rights. The intention of the gender discriminators was unsuccessful in the end. So much of the struggle was with the daughters of Murugappa, which is a shame for this industry. If they had

¹² Priyanka Gawande, out of court deal ends Murugappa family feud, Mint, <https://www.livemint.com/companies/news/outofcourt-deal-ends-murugappa-family-feud-11692554418218.html>

¹³ Ibid

been sons, the situation would have been different.

The Legal Scenario:

The Companies Act 2013 has changed the decade old 1956 Act. But coming to the women empowerment no much provisions have been added.

Section 149 of the Companies Act, 2013 and the Companies (Appointment and Qualifications of Directors) Rules, 2014 ('Rules') deal with the provisions relating to women and independent directors of a company.¹⁴ Every listed company, every other public company having paid up share capital of Rupees 100 crore or more or having turnover of Rupees 300 crore or more should have appointed at least one women director on board. A resolution with respect to this must have been passed prior to the appointment of women director.

There is no specific penalty for non-compliance of this provision. Generally, section 172¹⁵ is applicable for non-compliance of section 149 of the Companies Act, 2013. It¹⁶ provides that violation of section 149 may result in fine which is not less than Rs. 50000 and may extend up to Rs. 500000.

Conclusion

Women should participate in higher level decision making processes rather than just playing simple roles in corporations as part of the women's empowerment movement. Based on the information at hand, European nations are the leaders in designating women directors to corporate boards. Norway leads the group with 45%, while India has just 4.7%. Gender discrimination is one that prevents women from achieving the position. Today, it is also prevalent. The Murugappa case is the best example. Many studies have shown that women have better leadership qualities. It may boost the company. By analysing the laws with respect to this, it has been found that nothing much has been in support of women on board except the one women director mandate. More changes should be brought about, and more awareness sessions should be conducted for the company owners.

¹⁴Woman Director and Independent Director under Company Law Regime, Mayashree Acharya, <https://cleartax.in/s/woman-director-and-independent-director-company-law-regime> (Nov 28, 11 AM)

¹⁵ The Companies Act 2013

¹⁶ Ibid