PRIVATE EQUITY, VENTURE CAPITAL, AND CORPORATE GOVERNANCE: CONTROL RIGHTS AND MINORITY PROTECTION

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Chapter I: Introduction to Private Equity, Venture Capital, and Corporate Finance

Private equity (hereinafter "**PE**") and venture capital (hereinafter "**VC**") have become dominant drivers of corporate financing and governance. These investors provide critical growth capital to companies outside public markets, often with extensive active oversight. PE firms, for example, typically acquire substantial stakes, often controlling through leveraged buyouts, using debt financing secured by the target's assets.[1] However, Venture capitalists usually invest minority equity, often convertible stock, in early-stage, high-growth companies.[2][3] In each case, the goal is to help scale the business and then exit for a profit through a sale, IPO, or other liquidity event.[4]

These investors claim to add value not just in cash but in governance. They install experienced executives or board members, align management incentives with performance, and pressure for strategic improvements. It is noted that venture capital backed by active governance can "transform the corporate finance" of new firms, even if it is "no panacea for minority shareholders."[5] Evidence suggests that PE participation often improves performance; for instance, one study of Chinese publicly traded firms found that private equity board participation significantly enhanced long-term profitability.[6] Board chairs who are "thickly informed" and "intensely interested", which enables the board to sharply raise strategic oversight.[7]

Yet critics warn of downsides. The very mechanisms that give PE/VCs influence, high leverage, short-term horizons, and tightly held control can increase agency costs. The "Dark Side of

[1] *Understanding Private Equity*, INVESTOPEDIA, https://www.investopedia.com/articles/financial careers/09/private-equity.asp
[2] Ibid
[3] Elizabeth Pollman, *The Venture Capital Board Member's Survival Guide*, HARV. L. SCH. F. ON CORP. GOVERNANCE (Dec. 15, 2016), https://corpgov.law.harvard.edu/2016/12/15/the-venture-capital-board-members-survival-guide/
[4] Ibid at 2
[5] George W. Dent, Jr., *Venture Capital and the Future of Corporate Finance*, 70 WASH. U. L.Q. 1029 (1992), https://openscholarship.wustl.edu/law_lawreview/vol70/iss4/2/
[6] Qun Zhang & Abdul Hadi Zulkafli, *Private Equity Enters the Board of Directors, Financial Venture Capital, and Long-term Corporate Performance*, SSRN (Dec. 13, 2025)
[7] Ronald J. Gilson & Jeffrey N. Gordon, *Board 3.0: What the Private-Equity Governance Model Can Offer Public Companies*, 32 J. Appl. Corp. Fin. 43, 45 (2020)

Private Equity" commentary observes that PE sponsors often use board seats, contractual veto rights, and controlling equity stakes to extract cash through dividends or asset sales and to impose strict debt covenants. This focus on near-term returns can lead to layoffs, curtailed investment, or favouring secured creditors at the expense of broader stakeholders. Indeed, debt-driven buyouts heighten financial risk and can leave companies vulnerable if economic conditions sour. Thus, the PE/VC model profoundly reshapes corporate finance and governance: on the one hand, bringing capital, expertise, and discipline and on the other hand, concentrating decision-making power and potentially prioritising sponsor interests.

Chapter II: Control Rights in PE/VC Investments – Legal and Contractual Framework

In both theory and practice, most PE/VC control is exercised through contractual means, via detailed investment agreements and charters. Equity-class (often preferred) shares given to PE/VC funds carry built-in governance rights. A typical deal grants the investor, even as a minority holder, a board nomination seat, sometimes multiple seats. These directors sit as "dual fiduciaries," owing duties to both the fund and the company.[8] The investor's rights are further defined by negotiated *shareholders' agreements* (SHAs) and amended corporate charters. As Majumdar explains, investors will insist on a host of *protective provisions* in the SHA: board nomination and quorum requirements (e.g. requiring at least one investor-director to be present for any meeting), plus negative (veto) control over key corporate actions.

For example, PE contracts commonly reserve a long list of "major decisions" that cannot be approved without the investor's consent: approval of annual budgets and capital expenditures; incurrence of debt beyond agreed limits; issuance of new equity or material changes to capital structure; entering significant contracts or making acquisitions or divestitures; any related-party transactions; changing management compensation or hiring/firing key executives; declarations of dividends; and so on.[9] These rights give the PE/VC investor *de facto* control over strategy and finance. In addition, minority investors typically insist on standard economic protections: preemptive rights on new share issuances; anti-dilution adjustments on down-round financings;

[8] **Steven E. Bochner & Amy L. Simmerman,** *The Venture Capital Board Member's Survival Guide*, HARV. L. SCH. F. ON CORP. GOVERNANCE (Dec. 15, 2016), https://corpgov.law.harvard.edu/2016/12/15/the-venture-capital-board-members-survival-guide/

[9] Arjya B. Majumdar, *The Enforceability of Investor Rights in Indian Private Equity*, INDIACORPLAW (May 28, 2019), https://indiacorplaw.in/2019/05/28/enforceability-investor-rights-indian-private-equity/

liquidation preferences and conversion rights to recover capital; and sometimes put or call options to facilitate a planned exit price.[10] Equally, investor agreements will often include *exit rights*, such as "tag-along" and "drag-along" clauses. Tag-along (co-sale) rights permit the minority to sell its shares alongside the majority at the same terms during a sale, while drag-along rights allow the majority to force a sale of all shares (compelling minorities to sell on the same terms).[11] In sum, the contractual framework in PE/VC deals is designed to give the investor near-control: the ability to block unwanted decisions and to engineer liquidity in exit, even without majority ownership.

- **Typical PE/VC Contractual Rights:** Board seats; investor directors at any meeting quorum; veto on reserved matters (e.g. budgets, new debt, M&A, changes to officers); information/inspection rights (detailed financial reporting, audit rights); tag-along / drag-along rights on transfers; pre-emptive rights on new issues; anti-dilution provisions; liquidation preferences; management equity vesting and exit lock-ups.[12]

In law, these rights are generally upheld as contractual rights. In jurisdictions like the U.S., New York, or Delaware, law treats preferred-stock rights as contractual obligations, enforceable by the terms of the charter or SHA.[13] Indian law similarly relies on contract: Section 23 of the Indian Contract Act (1872) permits such commercial agreements, provided they do not violate public policy or contain "unlawful" conditions. Indian courts have made clear that shareholders can agree to drag-along or tag-along provisions, even if not set out in the company's articles, provided the SHA itself is legal and not repugnant to the articles or law.[14] The Supreme Court has enforced such rights, notably in *Vodafone Int'l Holdings v. Union of India*.[15]

Nevertheless, corporate law imposes some statutory limits. A shareholders' agreement cannot override mandatory company law rules. For example, the Indian Companies Act, 2013, provides

[10] Ibid
[11] *Legal Framework of Tag Along and Drag Along Rights in India*, CORRIDA LEGAL, https://corridalegal.com/legal-framework-of-tag-along-and-drag-along-rights-in-india-2/
[12] *Private Equity Laws and Regulations: India 2025–2026*, INT'L COMPAR. LEGAL GUIDES, https://iclg.com/practice-areas/private-equity-laws-and-regulations/india
[13] **Steven E. Bochner & Amy L. Simmerman,** *The Venture Capital Board Member's Survival Guide*, HARV. L. SCH. F. ON CORP. GOVERNANCE (Dec. 15, 2016), https://corpgov.law.harvard.edu/2016/12/15/the-venture-capital-board-members-survival-guide/
[14] *Legal Framework of Tag Along and Drag Along Rights in India*, CORRIDA LEGAL (Feb. 6, 2023), https://corridalegal.com/legal-framework-of-tag-along-and-drag-along-rights-in-india-2/
[15] *Vodafone Int'l Holdings B.V. v. Union of India*, (2012) 6 S.C.C. 613 (India).

default governance rules: directors must meet a quorum (normally two), and special thresholds apply to certain actions. If an SHA tried to eviscerate minority consent where the law requires it, courts will enforce the Act first. Majumdar notes that Indian courts will enforce SHA provisions only if incorporated into the company's articles of association.[16] and any conflict with the Companies Act[17] is resolved in favour of the statute (Act §6). Thus, while PE/VC investors heavily rely on negotiated contractual rights, these exist alongside and are subject to the baseline corporate legal framework.

Statutory Minority Protections: By default, Indian company law grants shareholders various governance rights based on shareholding thresholds. For example, Section 100 of the Companies Act, 2013 allows shareholders holding **10%** of voting power to requisition an extraordinary general meeting.[18] Similarly, any shareholder with *10%* can petition the National Company Law Tribunal (NCLT) for relief if the company is being run oppressively (Sections 241–242). At 25% ownership, a shareholder can veto any *special resolution*, since special resolutions require 75% approval.[19] At **50%**, a holder controls all ordinary resolutions by majority (appointing directors, auditors, etc.), though it still cannot unilaterally amend the charter or effect major reorganisations. A **75%** owner can pass all special resolutions (amendments to the Articles/Memorandum, mergers, capital increases, etc.), effectively controlling the company's strategic destiny. Finally, at **90%** ownership, an acquirer can initiate a statutory "squeeze-out" of the remaining 10% (Sections 235–236), and listed companies may delist once >90% public shareholders tender under SEBI rules. These provisions ensure that in principle significant minorities enjoy certain vetoes and that very large holders must offer fair treatment to the few dissenters. (Similar threshold rules exist in other countries; e.g., the UK Companies Act 2006 provides statutory exit rights at 90%.)[20]

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[16] The Enforceability of Investor Rights in Indian Private Equity – IndiaCorpLaw https://indiacorplaw.in/2019/05/28/enforceability-investor-rights-indian-private-equity/

[17] Companies Act, No. 18 of 2013, § 149 (India).

[18] Amrit Mehta & Rahul Datta, *Important Lessons for Private Equity and Venture Capital Investors in India*, CHAMBERS & PARTNERS (May 9, 2022), https://chambers.com/articles/important-lessons-for-private-equity-and-venture-capital-investors-in-india

[19] *Rights of Shareholders based on Shareholding Thresholds*, NISHITH DESAI ASSOCS. (June 19,2025),https://www.nishithdesai.com/fileadmin/user_upload/Html/Hotline/Yes_Governance_Matters_Jun1925-M.html

[20] *Nishith Desai Associates*, *How Board Governance Drives Value in Private Equity Portfolio Companies*, Nishith Desai(June 19, 2025),

Chapter III: Corporate Governance Implications of PE/VC Dominance

PE and VC investors shape governance in portfolio companies in distinctive ways. Because they often have board representation and veto powers, the typical governance structure shifts toward an "active" board model. Studies and industry guidance emphasise that PE-backed boards tend to be more deliberately composed and oriented toward value creation. For example, a recent Deloitte analysis notes that PE portfolio boards should be "intentionally dynamic" – chosen for sector experience and ready to drive projects – and that governance rigour increases as firms approach exit.[21] In practice, PE firms frequently install *operating partners* or independent directors with hands-on expertise, and may shrink committees that are mere rubber stamps. Gilson and Gordon's notion of Board 3.0 captures this shift: private company boards under PE are often "thickly informed" by data and "heavily resourced," with directors holding equity incentives and devoting substantial time.[22] Consequently, oversight is tighter and more results-driven than in a typical dispersed public company.

This can yield governance improvements. For instance, PE involvement often leads to stricter financial reporting, greater monitoring of managers, and faster alignment of incentives. PE managers frequently put new accounting systems or performance metrics in place,[23] and tie management bonuses or equity upside closely to targets. By removing the pressure of quarterly public reporting, PE sponsors argue they can focus on long-term strategy (e.g. investing in R&D, plant maintenance) without short-term stock-price scrutiny. It has been contended that such an empowered, engaged board model could be a "differentiator" in public companies, mitigating the problems of director inattention and short-termism. A report suggests a significant increase in productivity and profitability following PE funds' joining the boards of Chinese firms.[24] And the NACD/Deloitte review of hundreds of PE deals concludes that "embracing flexible, intentional

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https://www.nishithdesai.com/fileadmin/user_upload/Html/Hotline/Yes_Governance_Matters_Jun1925-M.html

[21] *National Association of Corporate Directors*, *Unlock Value Through Governance in Private Equity Portfolio Companies*, NACD (2026), https://www.nacdonline.org/all-governance/governance-resources/governance-research/outlook-and-challenges/2026-governance-outlook/unlock-value-through-governance-in-private-equity-portfolio-companies/

[22] Ronald J. Gilson & Jeffrey N. Gordon, *Board 3.0: What the Private-Equity Governance Model Can Offer Public Companies*, SSRN (2020),https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3685964

[23] Jason Fernando, *Understanding Private Equity (PE)*, Investopedia (Feb. 9, 2024), https://www.investopedia.com/articles/financial-careers/09/private-equity.asp

[24] Qun Zhang & Abdul Hadi Zulkafli, *Private Equity Enters the Board of Directors, Financial Venture Capital, and Long-term Corporate Performance* (SSRN Working Paper, 2025), https://ssrn.com/abstract=5916330

governance structures" at portfolio companies correlates with better performance and exit outcomes.[25]

However, PE/VC control rights can also create governance risks. The concentration of decision-making power in the sponsors' hands means that minority shareholders lose influence. When a PE investor (or controlling promoter with VC backing) holds veto over major actions, ordinary shareholders have no formal check on those decisions. As Majumdar observes, these contractual vetoes essentially "keep promoter opportunism in check," but may also stray beyond standard company-law norms. For example, if the board becomes dominated by sponsor directors, the board may routinely favour sponsor-aligned proposals. In classic corporate law terms, a well-negotiated SHA can create a de facto "controller" even if the investor holds well under 50% of the stock. Indeed, Delaware case law (in a U.S. context) has recognised that a minority stakeholder can be a controller if it has coordinated board control and contractual powers.[26] That means fiduciary duties and fairness scrutiny might apply even to a sub-majority PE investor.

Moreover, tensions between classes can surface when the interests of investors and common stockholders diverge. For instance, preferred stockholders often have liquidation preferences and anti-dilution terms that benefit them in a downside sale or a down-round, while common stockholders lose out. Bochner & Simmerman explain that in VC-backed startups, transactions where preferred and common stock terms diverge (such as down-round financings or certain acquisitions) can trigger intense conflicts.[27] Delaware courts now generally hold that if the charter expressly governs these outcomes, directors should abide by the preferences (contractual terms) even if common stock is disadvantaged. In practice, however, the presence of the majority owner or sponsor can change the game. If the board is controlled by parties who benefit from a sale or financing, minority shareholders may only expect a protracted fairness review.

[25] Guy Langford et al., *Unlock Value Through Governance in Private Equity Portfolio Companies*, NAT'L ASS'N CORP. DIRECTORS (2025), https://www.nacdonline.org/all-governance/governance-resources/governance-research/outlook-and-challenges/2026-governance-outlook/unlock-value-through-governance-in-private-equity-portfolio-companies/

[26] Steven E. Bochner & Amy Simmerman, *The Venture Capital Board Member's Survival Guide*, HARV. L. SCH. F. ON CORP. GOVERNANCE (Dec. 15, 2016), https://corpgov.law.harvard.edu/2016/12/15/the-venture-capital-board-members-survival-guide/

[27] Ibid

Notably, cases like *Kahn v. M&M*[28] and *In re Appraisal*[29] exemplify how freeze-outs and IPO valuations are heavily litigated when control is exercised.

In summary, PE/VC investors transform governance by inserting highly motivated directors and sweeping veto rights, a model that can drive performance but can also "externalise" value extraction and compress minority influence.[30] The net effect on governance asymmetry depends on the balance: if oversight is used to enhance all shareholders' value, the outcome can be positive; if it mainly serves the controlling investor's exit strategy, it can disadvantage smaller holders. The next chapter explores in detail how these control mechanisms affect minority shareholders and what happens at the critical juncture of exit (IPO or sale).

Chapter IV: Minority Shareholder Rights and Exit-Related Governance Challenges

Minority shareholders in PE/VC-backed firms face a mix of protections and vulnerabilities, especially during exit events. Legally, they retain the general rights of shareholders: participation, voting, dividends (pro rata), and remedies for oppression.[31] In India, as noted above, they can requisition meetings or petition courts if the majority conduct is abusive.[32] But the bespoke control rights of PE investors often leave minority shareholders with little day-to-day bargaining power.

At exit events, IPOs, or mergers/acquisitions, these issues become acute. Consider a buyout or sale initiated by the PE sponsor. If a drag-along clause exists (common in negotiated SHAs), it can force all shareholders to sell on the same terms. Minority investors might feel compelled to accept a deal they did not negotiate, even if they perceive it as unfavourable. The tag-along right offers some remedy by letting them join a sale initiated by others, but it does not prevent a sale

[28] *Kahn v. M&F Worldwide Corp.*, 88 A.3d 635 (Del. 2014).
[29] *In re Appraisal of Dell Inc.*, 177 A.3d 1 (Del. 2017).
[30] *he Dark Side of Private Equity*, University of Chicago Business Law Review (2026), https://businesslawreview.uchicago.edu/online-archive/dark-side-private-equity
[31] *Nishith Desai Associates*, *How Board Governance Drives Value in Private Equity Portfolio Companies*, Nishith Desai(June 19, 2025), https://www.nishithdesai.com/fileadmin/user_upload/Html/Hotline/Yes_Governance_Matters_Jun1925-M.html
[32] Amrit Mehta & Rahul Datta, *Important Lessons for Private Equity and Venture Capital Investors in India*, CHAMBERS & PARTNERS (May 9, 2022), https://chambers.com/articles/important-lessons-for-private-equity-and-venture-capital-investors-in-india.

outright. In practice, this means small shareholders' recourse is mainly to legal protections (e.g. fiduciary duty litigation or statutory appraisal) rather than contract.

For publicly held firms (or firms raising capital publicly), securities and takeover laws provide additional protections. In India, the Takeover Code (SAST Regulations) requires any acquirer of more than 25% to make an open offer for up to 26% of the stock, giving public shareholders a chance to exit at the negotiated price. The Minimum Public Shareholding rules (requiring a 25% float) further ensure that substantial minorities remain in public hands, which can impose pragmatic limits on exits (for example, a promoter cannot buy in 100% without addressing the public float rules). Similarly, delisting regulations typically require a supermajority (often 90%) at a specific price (determined by a valuation formula or negotiated).

Even so, high-profile cases show minority shareholders can be squeezed or left dissatisfied. In *Tata Sons v. Cyrus Mistry*[33] (2021), the Supreme Court of India held that removing a managing director alone did not constitute oppression, underscoring how fact-intensive minority claims are and how difficult it can be to prove unfairness.[34] That saga revealed how minority share classes (and deposed directors) had limited legal recourse despite strategic grievances. The *Vedanta Limited* delisting attempt (2020) is another example: Vedanta offered to buy out shareholders to take the company private, but a determined minority refused the price as unfair. Because Vedanta failed to secure the required 90% acceptance, the delisting failed.[35] This showed that disciplined minority shareholders can block an exit or force a price rise. Conversely, it also revealed the hardships minorities face: they must publicly declare their non-acceptance and risk a potentially undervalued offer.

Related-party transactions and group structures also pose threats to minority interests at exit. The *Fortis Healthcare*[36] Case (2020) illustrated how opaque conglomerate dealings can siphon value. Bhatt & Joshi recount that Fortis's majority began complex transactions that allegedly benefited

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[33] *Tata Consultancy Services Ltd. v. Cyrus Investments Pvt. Ltd.*, (2021) 9 SCC 449.

[34] *Minority Shareholders Rights in India – Legal Protections*, Bhatt & Joshi Associates, https://bhattandjoshiassociates.s3.ap-south-1.amazonaws.com/booklets+%26+publications/Minority+Shareholders+Rights+in+India+-+Legal+Protections.pdf

[35] Amrit Mehta & Rahul Datta, *Important Lessons for Private Equity and Venture Capital Investors in India*, CHAMBERS & PARTNERS (May 9, 2022), https://chambers.com/articles/important-lessons-for-private-equity-and-venture-capital-investors-in-india.

[36] Daiichi Sankyo Co. v. Malvinder Mohan Singh, 2020 SCC OnLine Del 23.

insiders, severely disadvantaging outside shareholders.[37] In these situations, statutory safeguards (like mandatory independent directors or NCLT oversight) were tested. India's listed-company rules now require disinterested committees for related-party deals and specific approvals for major transactions, but enforcement is uneven. Minority shareholders often rely on SEBI to call out unfair deals or on the courts for relief, again showing that contractual control rights can subvert formal minority protections.

Chapter V: Comparative and Indian Regulatory Framework, Suggestions and Conclusion

Across jurisdictions, the law seeks to balance investor control with minority protection, but achieves this in different ways. In the **United States**, corporate law is largely state-based; Delaware, for example, has no explicit "squeeze-out" statute for private companies, but it imposes fiduciary duties on controllers (even minority controllers) in any interested transaction. If a PE sponsor can be deemed a "controller" (as courts sometimes find for a <30% fund holding[37]), then freezing out minority shareholders can trigger entire-fairness review. In public deals, SEC rules (such as mandatory disclosures and tender offer requirements) provide minority protection. However, most PE/VC rights in the U.S. remain contract-based (through charters and SHAs), and enforcement is often handled through Delaware Chancery litigation if needed.

In the **United Kingdom** and other common-law countries, statutory provisions give minorities specific powers. UK law, for instance, grants minority shareholders the right to petition the court for unfair prejudice (Section 994 CA 2006) and provides a compulsory purchase (squeeze-out) right once a buyer reaches 90% shareholding, allowing minorities to exit at a fair price. Continental systems (like Germany) similarly permit shareholders at minority thresholds to bring lawsuits or prevent fundamental changes. Internationally, corporate governance codes and shareholder rights directives increasingly require disclosure and independent oversight (e.g., the EU's Shareholder Rights Directive obliges companies to treat minority shareholders equally in certain votes). These frameworks recognise that when control is concentrated, additional statutory guardrails are needed.

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[37] *Minority Shareholders Rights in India – Legal Protections*, Bhatt & Joshi Associates, https://bhattandjoshiassociates.s3.ap-south-1.amazonaws.com/booklets+%26+publications/Minority+Shareholders+Rights+in+India+-+Legal+Protections.pdf

Indian Legal Framework: India has a layered statutory and regulatory framework. The Companies Act, 2013 contains many of the basics: requirements for board composition (e.g., independent directors under the Listing Regulations), rules for general and special resolutions (§§114–115), and minority remedies (oppression petition §§241–242, class action §245). SEBI's Listing Obligations and Disclosure Requirements (LODR) Regulations 2015 impose duties of fairness on listed firms – for example, requiring independent directors to approve related-party deals, mandating stronger disclosure, and forbidding prejudicial actions (Reg. 4(2)(a)–(c)). SEBI's Takeover Regulations require any acquirer with a stake above 25% to make an open offer (to protect small shareholders' liquidity), and delisting regulations define fair-price formulas for minority exits. Courts such as the NCLT and Securities Appellate Tribunal (SAT) serve as forums for minority grievances (though delays are common).

Despite these provisions, commentators question whether the balance is struck correctly. Arjya Majumdar argues that many PE/VC contractual rights are technically "departures" from standard company law, and thus their enforceability is uncertain. Indian courts have generally held that stringent SHA clauses (such as supermajority quorums or special vetoes) are enforceable only when mirrored in the company's articles. Others note that litigation over these matters is often resolved by private arbitration, as many agreements demand. High-profile cases highlight the limitations: the Tata Sons/Cyrus Mistry dispute showed that mere boardroom ousters do not easily become "oppression" unless patterns of conduct emerge. The Vedanta delisting fight illustrated how pricing rules (SEBI's formula) and bid-acceptance rules can empower or entrench minority opinions. In short, India's law provides formal protection, but relies on enforcement mechanisms (NCLT, SEBI, courts) that can be slow or ambiguous.

Adequacy and Suggestions: Given these complexities, scholars and practitioners propose enhancements. Some suggest clearer statutory integration of investor rights: for example, explicitly recognising tag-along provisions or setting standards for valuation formulas in exit offers. Others urge procedural reforms (streamlining NCLT deadlines and strengthening the roles of independent directors) to ensure that minority claims are heard more efficiently. On corporate documents, some recommend that critical SHA provisions (quorum rules, vetoes) should be codified in the articles or listed contracts to ensure enforceability, rather than relying on

contested interpretations.[38] At a higher level, regulators and legislators might consider limits on liquid-preference extraction or require fiduciary duties of financial sponsors (as some US policymakers have debated).

Ultimately, the tension between investor control and minority protection must be managed on a case-by-case basis. Where investors bring genuine value (capital, expertise) and abide by the spirit of fiduciary duty, the rigorous governance model can succeed. But without vigilant oversight, the same mechanisms that created value can be used to concentrate returns or sideline small shareholders. As Majumdar warns, copying PE contract models from Western contexts without adaptation may result in "misfit" with Indian law. A balanced approach may lie in a hybrid: allow PE/VC the flexibility of private contracts, but ensure transparency, independent checks (committees, audits), and statutory backstops for fairness.

Conclusion: It has examined how private equity and venture capital influence corporate governance through their control rights. We saw that PE/VC investors wield extensive contractual powers (board representation, vetoes, exit clauses) that effectively tilt decision-making in their favour.[39] These powers can enhance governance by aligning incentives and improving oversight,[40] but they also create an inherent asymmetry, constraining ordinary shareholders' say and potentially enabling value extraction at their expense. Minority shareholders retain some legal protections (meeting requisition, oppression remedies, mandatory offer rights, etc.), but must often rely on these statutory rights at critical junctures (scheme approval, delisting, etc.). In exits, the fate of minorities depends on both contractual terms (tag/drag rights) and regulatory safeguards (open-offers, fair-price provisions). We conclude that, while India's legal framework offers substantial minority rights in theory, its sufficiency hinges on enforcement. Strengthening transparency and enforcement (for example, clearer rules on SHA enforceability and fair valuation) would help ensure that investor control does not come at the cost of basic fairness. In the balance between active sponsor control and equitable shareholder

[38] Arjya B. Majumdar, *The (Un?)Enforceability of Investor Rights in Indian Private Equity*, IndiaCorpLaw (May 28, 2019), https://indiacorplaw.in/2019/05/28/enforceability-investor-rights-indian-private-equity/

[39] Sidharrth Shankar & Probir R. Chowdhury, *Private Equity Laws and Regulations: India 2025–2026*, ICLG (Aug. 22, 2025), https://iclg.com/practice-areas/private-equity-laws-and-regulations/india

[40] Guy Langford et al., *Unlock Value Through Governance in Private Equity Portfolio Companies*, National Association of Corporate Directors (Dec. 10, 2025), https://www.nacdonline.org/all-governance/governance-resources/governance-research/outlook-and-challenges/2026-governance-outlook/unlock-value-through-governance-in-private-equity-portfolio-companies/

treatment, the optimal outcome is vigilant, well-informed governance that serves all stakeholders.