

4TH RGNUL NATIONAL NEGOTIATION COMPETITION, 2025

7th-9th February, 2025

GENERAL INFORMATION

Preliminary Round-1

The Last One Standing:
Corporate Crossroads

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BRIEF ON THE PARTIES

The Pestonjee family has come a long way from the textile business that started from their one-bedroom home in 1892 to the present project management empire. Each generation of the family was meticulously raised to fill the shoes of the chairperson of Pestonjee Sons, the holding company of the various subsidiaries. Mr. Rustom Pestonjee, the present magnate, is lauded for making the Pestonjee Group reach new heights. However, nearing his 80th birthday, Mr. Pestonjee decided to hand over the mantle to Ms. Zubin Pithawal, which was a break from tradition.

Ms. Zubin Pithawal is an extremely qualified Harvard graduate and belongs to the Pithawal family, who created Pithawal & Company, a now-global entity with a footprint across engineering, construction, and infrastructure. Pithawal & Company also happens to be the largest minority shareholder of Pestonjee Sons, with a 48.6% stake acquired, making the Pithawal and Pestonjee business relationships one of the oldest and most significant. Historically, the chairperson has been a Pestonjee, with Ms. Pithawal being the first outlier in company history. However, Mr. Pestonjee has trained Ms. Pithawal from childhood, viewing her as a protegee. As chairman, he prioritised efficiency above all else, modernising the functioning of the company.

BACKGROUND OF FACTS

Phirojshah Pithawal, father of Ms. Zubin shared a warm relationship with Mr. Rustom Pestonjee and even supported the latter in his quest of taking charge of the conglomerate in 1991. The family relationship between the two families goes way back to 1936, when the Pithawal family bought 32.5 % stakes in Pestonjee Sons. After the rights issue, the Pithawal family's stakes increased to 45.6 % in 2021. Zubin succeeded her father in 2022 as she joined the board of Pestonjee Sons. At the age of 38, she became the youngest director of the Pestonjee Sons. Zubin soon climbed the ladders and was hailed as the successor of the Pestonjee Sons in 2024.

After Zubin was selected as the successor, Pestonjee wrote, "The appointment of Ms. Zubin Pithawal as Chairperson of Pestonjee Sons is a good and farsighted choice." Pestonjee further highlighted that he was "impressed with the quality and calibre of her zeal, her astute observations, and her revolutionary ideas."

Pestonjee had a lot of qualities, but being trustful was not one of them. He made sure that he was still looking over the shoulder of Zubin. At the time of her appointment, Pestonjee highlighted that he would be committed to working with Ms. Pithawal over the next year to give her the exposure, involvement, and operating experience needed. Further, he also made sure that after his retirement, he stayed in charge of Pestonjee Trusts, the majority shareholder, i.e. 51% in Pestonjee Sons. This in turn allowed him to continue influencing major decisions in the group.

However, it wasn't a smooth sail by any standard. Pestonjee and Zubin differed in their management styles, frequently butting heads over important management decisions. The issues, which had not cropped up earlier due to the senior-junior dynamic of the duo, were now suddenly too prominent to ignore. While Zubin advocated a decentralised approach, Mr. Pestonjee preferred a centralised one. This only aggravated and led to further differences, including disagreements over strategy, wherein Zubin's tenure as chairperson was marked by a focus on cost-cutting and restructuring, which was seen as a departure from Pestonjee's traditional approach of investing in growth. The fissures in their relationship were further widened by Zubin's apparent desire to shut down the automobile manufacturing outlet of the group which had been amassing losses for a while. This appeared to have ruffled Mr. Pestonjee's feathers who considered automobiles as his pet project and had hoped that Zubin would have put in some efforts to revive it.

DISPUTE AND THE CALL FOR NEGOTIATION

Zubin's commitment to improvement led her to write letters formally to the Board of Directors regarding the company's shortcomings, where she alleged that there were governance issues within the Pestonjee Sons and that she was not given enough autonomy to run the company. One such letter written by her was leaked on social media platforms, causing widespread outrage. The already strained relationship between Zubin and Pestonjee was ultimately worsened by the leaked letter. Mr. Pestonjee, owing to the newfound trust deficit in Zubin by the Board of Directors, asked her to resign as the Chairperson of Pestonjee Sons. Zubin refused to do the same and retaliated against the unilateral decision. This led to a meeting between the two, which saw a heated exchange of words and harsh criticism being levelled against each party. However, owing to the age-old relationship they shared, and fearing the tarnishing of the reputation built by Pestonjee Sons over the years, Mr. Pestonjee and Zubin agreed to a negotiation.