

McDonald's Corp. buys out the remaining stake in JV, "Connaught Plaza Restaurants Ltd."

Connaught Plaza Restaurants Ltd ('CPRL') first came into existence in the year 1995 via a 50:50 joint venture agreement between Mr. Vikram Bakshi and McDonald's India Private Limited whereby Mr. Bakshi would be the local partner for the all the north and east Indian outlets of McDonald's India Private Limited for a period of 25 years. The first controversy surrounding this joint venture arose in the year 2008, when the Chicago-headquartered company tried to buy out Mr. Bakshi's 50 per cent stake with an offer of \$7 million dollars (approx). Instead of accepting the offer, CPRL decided to have a fair market valuation done roping in consulting firm Grant Thornton to ascertain the value of the company. On evaluation by the consulting firm, it was deduced that the CPRL's value in the year 2009 was \$331 million thereby concluding Mr. Bakshi's share to \$100 million after various deductions. After various meetings and discussion, Mr. Bakshi refused to sell his share in CPRL.

Soon thereafter, in the year 2013, during the board meeting of CPRL, one of the items on the agenda was regarding the re-election of Mr. Bakshi as Managing Director of CPRL. It was reported that as per the Articles of Association of the company, Mr. Bakshi was to be re-elected as MD every two years. However, during the meeting, the nominee directors of MIPL on the CPRL board voted against his re-election, accusing him of multiple wrongdoings. The allegations against Mr. Bakshi included: mismanagement of funds; lack of attention; and conflict of interest. It was reported by an anonymous source that the primary reason for removal of Mr. Bakshi was due to his lack of attention to the CPRL venture operations as it was claimed that he was inclined largely towards his own businesses and was renting out his properties to CPRL's competitors.

After the board meeting, Mr. Bakshi challenged his removal at NCLT ('earlier known as Company Law Board') alleging mismanagement and oppression on the part of McDonald's. By the end of 2013, McDonald's had revoked the joint venture agreement and invoked arbitration to settle the dispute in LCIA, on the basis of an arbitral clause mentioned in the joint venture agreement. On July, 2017, the NCLT reinstated Mr. Bakshi as the MD of CPRL and restrained MIPL from interfering in the smooth functioning of CPRL and its 169 operational restaurants. The NCLT in its order stated that Mr. Bakshi's non-election was illegal, malicious and unjust and further went on to appoint former Supreme Court judge G.S. Singhvi as administrator to CPRL's board. On the other hand, the LCIA asked Bakshi to sell his stake at fair valuation. While the legal proceedings were ongoing, MIPL terminated its franchise agreement with CPRL by stating that CPRL had materially breached the terms of the respective franchise agreements through non-payment of royalties over a period of two years. According to the termination notice served by the MIPL, Mr. Bakshi was to cease using the McDonald's name, trademarks, designs, branding, operational and marketing practices, policies, food recipes, and specifications from 06.09.2017.

Both MIPL and Bakshi moved the Delhi high court; the former had filed a petition to enforce the LCIA award, while the latter has challenged it. McDonald's also filed a plea in the Delhi high court against the center, challenging NCLT's right to issue a contempt notice. Finally, after a 5 year long legal battle, McDonald's on 09.05.2019 announced that it has reached an out-of-court settlement with Mr. Bakshi. McDonald's has bought out the stake of Mr. Bakshi in CPRL which is now wholly owned by MIPL and its affiliate (McDonald's Global Markets LLC, "MGM"). As per the out of court settlement agreement, MGM has acquired the 50 per cent voting equity shares in CPRL that were held by Mr. Bakshi and his affiliated entity. McDonald's India will continue to hold its 50 per cent voting equity shares in CPRL

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