

One in six top 500 firms have 'related' CMDs

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ONE IN SIX, or seventy nine, of the top 500 companies listed on the NSE have their family members or relatives as both chairperson and managing director or chief executive officer.

The percentage of such companies would be much higher if multinationals, banks and public sector undertakings are excluded from the list of top 500 companies.

In addition, 146 companies have the same person serving as both the chairman and managing director (CMD), data from primeinfobase.com shows.

"The majority of the promoter-owned companies would have relatives or family members as CMDs. In

TOP 5 COMPANIES*



● Adani Enterprises

M-cap: ₹2.22 trillion

MD/CEO:
Rajesh Shantilal Adani

Chairperson: Gautam Shantilal Adani

● Adani Ports SEZ

M-cap: ₹1.64 trillion

MD/CEO:
Karan Gautam Adani



● Bajaj Auto

M-cap: ₹1.06 trillion

Chairperson: Niraj Kumar Ramkrishna Bajaj

MD/CEO: Rajivnayan Rahul Kumar Bajaj



● SRF

M-cap: ₹79,422 cr

Chairperson: Ashish Bharat Ram

MD/CEO:
Kartik Bharat Ram



● Shree Cement

M-cap: ₹86,711 cr

Chairperson: Benu Gopal Bangur

MD/CEO: Prashant Bangur, Hari Mohan Bangur

*Data as on March 31, 2022 for top NSE-listed companies by market cap

Source : primeinfobase.com

some instances, you could have even three to four family members sitting on the boards, which is alarming," said Shriram Subramanian, founder and

MD, In Govern Research Services.

According to experts, a lot of promoters put in their blood, toil and sweat to run the companies

and it is only natural to not want to cede control.

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● **Apollo Hospitals**

M-cap: **₹64,935 cr**

Chairperson: **Prathap Chandra Reddy**

MD/CEO: **Sangita Konda Reddy, Suneeta Reddy**



● **UPL**

M-cap: **₹58,793 cr**

Chairperson: **Rajnikant Devidas Shroff**

MD/CEO: **Jaidev Rajnikant Shroff**



● **Bajaj Holdings**

M-cap: **₹55,770 cr**

Chairperson: **Shekhar Kumar Ramkrishnaji Bajaj**

MD/CEO: **Sanjivnayan Rahul Kumar Bajaj**



● **Muthoot Finance**

M-cap: **₹53,417 cr**

Chairperson: **George Jacob Muthoot**

MD/CEO: **George Alexander Muthoot**



● **Alkem Laboratories**

M-cap: **₹43,291 cr**

Chairperson: **Basudeo Narayan Singh**

MD/CEO: **Sandeep Singh**

*Data as on March 31, 2022 for top NSE-listed companies by m-cap

Source : primeinfobase.com

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This also helps in succession planning, where the senior member usually moves into the role of chairperson and a younger member of the family is placed as the CEO. That said, family members have to be competent and have the required expertise that is in line with the role. "The member needs to have a buy-in from both internal (senior management) and external stakeholders. It is said that family-owned companies have more skin in the game but that presumes that there are no related-party transactions in the firm," said Subramanian.

"Having family members at the helm could still work if there is a robust and independent governance framework in the company, which includes specialised policies covering operations, governance and decision making, selecting the right (but independent decision-makers) to administer such policies, an effective mechanism to monitor compliance and lastly an impartial mechanism to redress grievances," added Arjun Paleri, partner, BTG Legal.

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires listed companies in the US to disclose and explain their chairman-CEO structure, whether or not one or two people hold the roles. The requirement has increased shareholders' attention to governance, said experts.

"The regulator is dealing with a related problem as well. Family offices are not registered by Sebi as a category of AIF, REITs, PMS or Investment Advisors or in any other capacity. There have been cases where promoter family offices are investing in the material subsidiary companies, bringing conflict of interest," said Sumit Agrawal, managing partner, Regstreet Law Advisors.

In February, Sebi had decided to make splitting of the CMD posts by the top 500 listed entities voluntary after a push-back from India Inc.

"It was unfortunate to see the diktat getting rolled back," said Pranav Haldea, managing director at PRIME Database.

"The CMD norms were a step in the right direction as they would have avoided concentration of power in the hands of one individual or family. It was not difficult to implement, especially considering

the time which was given to companies, but the move would have meant ceding significant control. Hopefully, it will see the light of the day in the not so distant future."

Indian companies have been known to come up with workarounds to regulatory requirements in the past. When the regulator made it compulsory to have a woman director on the board, for instance, a large number of companies complied only a week before the deadline, and that too by appointing their sisters, daughters and mothers on the board defeating the spirit behind the regulation.

"Had Sebi gone ahead with the diktat to split the CMD post, my sense is that companies would have found a workaround by appointing a friendly independent director as the non-executive chairperson of the company and retaining the MD position," said Haldea.

A single person holding a dual role could have repercussions of its own, said Agrawal. For instance, when Carlos Ghosn, erstwhile CEO and chairman of Nissan Motor, was arrested, its partner company Renault SA found it difficult to find a replacement.