

# India Inc Braces for Major Boardroom Shake-Up

Promoters, CEOs and headhunters scout for candidates as mandatory independent director rotation gathers steam

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**Mumbai:** Indian promoters, CEOs, headhunters, private equity firms owning multiple companies, and Big Four firms are actively scouting or promoting candidates who will be the right fit to replace outgoing directors and also safeguard their own interests within the company boards when necessary, as the Companies Law 2013 mandated great at independent director rotation gathers steam.

As per primeinfobase.com, 1551 independent directors in 825 (out of total 2123) companies listed on NSE shall complete (minimum) a 10-year tenure by 1st April 2024.

"India Inc. will witness a huge dearth of good and experienced independent directors next year," said Berjis Desai, a veteran lawyer and director on several boards. "There are about two dozen professionals who can actually bring value to the table but hundreds of boards will require experienced independent directors and hence we may see a mega churn in several boards," adds Desai, who is on the board of several companies including Great Eastern Shipping, Man Infraconstruction and Jubilant Foodworks among others.

Although there might be a significant number of director changes overall, individual companies are expected to handle only a few departures, typically ranging from 1 to 3 directors. According to experts, this transition is expected to usher in a younger generation and infuse new viewpoints into boardroom discussions.

## Directors' Tenure Expiring In 2024

Name, Company Name, Date of Joining



**DEEPAK SATWALEKAR**  
Asian Paints  
May 30, 2000



**CYRIL SHROFF**  
Grasim Industries  
July 25, 2000



**DEEPAK PAREKH**  
Siemens  
November 7, 2003



**RC BHARGAVA**  
Dabur  
January 27, 2005



**KEKI DADISETH**  
Britannia Industries  
May 31, 2006



**IREENA VITTAL**  
Wipro  
October 1, 2013



**M DAMODARAN**  
L&T  
October 22, 2013



**VIKRAM MEHTA**  
L&T  
October 22, 2013



**OP BHATT**  
TCS  
April 2, 2012



**KALPANA MORPARIA**  
Dr Reddy's Laboratories  
June 7, 2007

Source: primeinfobase.com

"The change in guard usually brings in new and different perspectives into the boardrooms. Long tenures in boards do tend sometimes to cloud fresh thinking," said Ketan Dalal, CEO, Katalyst, who sits on boards of Torrent Power, HDFC Life and Zensar Technologies.

In India, corporate founders commonly rely on family, friends, and extended social networks to carefully select people for their boards, and they have recently been making calls to well-known board members who are slated to depart from a few boards next year. However, popular board members are being cautious in their selections this time around.

"It's a tricky job to say no when the big man calls himself. But the fact is that in some large conglomerates, they don't like dissenting directors. In some large Indian groups, they say we already have great governance and oversight mechanisms, so they don't need much value-added from the independent directors. It's

important to find boards that believe having deep interactions with the directors adds value," said an independent director who has seen the evolution of boards over the last four decades closely. "The risk-reward ratio is often skewed for independent directors because they shoulder significant legal and reputational risks while receiving relatively modest compensation or rewards in comparison to their responsibilities"

In the past couple of months, headhunters have been speeding up meetings with candidates, trying to find common ground between different expectations and needs. They will be the biggest beneficiaries monetarily of the whole independent director rotation, as they are charging up to ₹25-40 lakh for each director placed, but a board relationship has many added benefits.

"When you hire one independent director, you need to evaluate ten others. These ten candidates often serve on multiple boards, and du-

ring informal meetings, like meals, you get to know them better. So, your pool of potential candidates expands significantly, which is especially helpful when managing multiple assignments," said R. Suresh, managing partner, Insist Consulting.

In the case of lucrative CEO searches, if the director that a headhunter has placed on the Nomination and Remuneration committee is familiar with the firm, they may be more willing to endorse it.

Interestingly, over the past three months, the Big Four firms have emerged as some of the most active and engaged participants in the game of independent director appointments. Just like in audit 2017 Companies Law mandated rotation,

there are teams in Big Four tracking independent directors movements with partners/directors being delegated responsibilities to cultivate a particular individual or a set of people. They are also actively suggesting to companies names of likely candidates. Why? Because audits, significant consulting projects, and other strategic advisory assignments require board approval, and having sympathetic board members always helps in pushing their case. Just like in audit 2017 Companies Law mandated rotation, there are teams in Big Four tracking independent directors movements with partners/directors being delegated responsibilities to cultivate a particular individual or a set of people. Ex-Big Four partners also happen to be one of the biggest cohorts of people in leading company boards and often head the important audit committees—and another big round of audit rotation is coming up in 2027.

"The larger the professional servi-

ces firm, the more help it needs from the board. Period," said a partner in a Big Four firm.

Also active in the whole independent directors arena have been the private equity firms. One of the most significant sources of new independent director mandates in the last few years has been private equity firms who revamp boards in the companies they have acquired. Many of these investments are now in the late stage of their lifecycle, and the firms are actively appointing independent directors who have a track record of driving growth as part of their exit strategy planning.

Leading headhunters say they are witnessing some interesting trends in the mandates being given out this time around. "Some large companies are seeking fresh perspectives on growth, and are even open to considering mid-size company entrepreneurs as potential new board members. In tech companies, there's a demand for global Indians with R&D experience. We're also witnessing significant cross-fertilisation across industries," said Suresh.

Corporate governance experts say that compensation of independent directors is becoming a problem as good candidates are now asking for more money as they have more offers than they can readily consider. Also, under SEBI's Listing Obligations and Disclosure Requirements (LODR) regulations, independent directors can serve on the boards of up to seven listed companies. A decent sized company board assignment takes up close to 10-15 days a year with 10 hour day and more if a director heads a committee like audit or remuneration or governance.



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