

Board Card: SEs Fine 15 Top PSUs

BPCL, HPCL, IOC and ONGC among cos told to pay ₹5,42,800 each to NSE & BSE

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Mumbai: At least 15 top state-owned firms have been penalised by stock exchanges this week for non-compliance of Securities and Exchange Board of India's listing requirements pertaining to composition of board directors.

BPCL, HPCL, Indian Oil, ONGC, GAIL, Indian Railway Finance Corp, Garden Reach Shipbuilders & Engineers and Ircan International, among others, received notices from BSE and NSE separately, asking them to pay a fine of ₹5,42,800 each to both the bourses.

According to the stock exchange disclosures, these companies failed to comply with a norm that requires them to have a minimum number of independent directors on their boards.

Most companies said in their exchange filings they have approached the bourses to consider waiver of the fines as the power to appoint directors, including independent directors on their board vests with the government.

"The Company is following up with

Top Deck

Company	Total Directors	IDs	Company	Total Directors	IDs
Balmer Lawrie	8	2	IRFC	6	2
BHEL	11	3	Ircan Intl	9	4
BPCL	13	6	IRCTC	9	3
GAIL	14	7	Kioci	8	2
Garden Reach	7	2	ONGC	13	6
HAL	8	2	Rail Vikas Nigam	10	3
HPCL	13	6	Shipping Corp	13	5
Indian Oil	14	7			

IDs: Independent Directors

Source for number of directors: primeinfobase.com

the government from time to time to appoint the required number of directors on its board, and GOI is seized of the matter," said HPCL. BHEL said that it regularly takes up with the government for the appointment of requisite number of independent directors to ensure compliance with the regulations.

Out of the 77 listed firms with market cap exceeding Rs1000 crore that are yet to adhere to the board composition norms, 50 are public sector entities, according to data from Primeinfobase.com. Out of 11 directors in BHEL, only three are independent. In BPCL and HPCL, only six out of 13 are independent directors, according to Primeinfobase.com.

Corporate governance experts said government-owned companies too should meet these listing norms

"Our perspective is that the government should take the lead in establishing the right standards,

whether it pertains to the appointment of the board of directors or ensuring the independence of the board, thereby setting an example," said Amit Tandon, founder & managing director, Institutional Investor Advisory Services India. According to the Securities and Exchange Board of India (SEBI) Listing Obligations and Disclosure Requirements (LODR) regulations, the composition of the board of directors of a listed entity must include at least one woman director.

Additionally, when the listed entity does not have a regular non-executive chairperson, half of the board of directors should consist of independent directors. If the chairperson of the board of directors is a non-executive director, at least one-third of the board of directors should comprise independent directors.

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Board Card: Stock Exchanges Fine 15 Top Public Sector Cos

►► From ETMarkets Page 1

"Historically, PSUs have struggled to adhere to LODR regulations due to a lack of planning for the appointment of directors in the event of retirements or resignations," said Shriram Subramanian, Founder and Managing Director of InGovern Research Services. "The Prime Minister's Office should send a strong message to all ministries to comply with the laws of the land."

JN Gupta, founder and managing director of Stakeholders Empowerment Services said the Department of Public Enterprises has established guidelines for



the governance of public sector firms but they are not followed strictly.

"It is imperative for the government to recognise that non-compliance with corporate governance not only tarnishes the reputation but also diminishes the company's valuation," he said.