

India Inc boards set for major churn

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Mumbai, March 3

INDIA INC IS all set to refresh its boards with 900 NSE-listed companies looking to recruit nearly 2,000 independent directors this year.

Data sourced from primeinfobase.com also show that as many as 23 Nifty50 companies will need to recruit 47 independent directors between them. They include Hindustan Unilever, ITC, UltraTech Cement, L&T and Tata Consultancy Services.

REFRESH MODE

Independent directors in NSE-listed firms in last 5 years

■ No. of appointments
■ No. of cessations



*till 29 Feb '24

This high turnover is a fallout of the regulatory guidelines imposed in 2013 after the Satyam Computers scam. All independent directors

appointed prior to 2014 were reappointed in 2014 as per the new Act.

Continued on Page 12

FROM THE FRONT PAGE

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THE NEW COMPANIES Act mandates that independent directors can hold up to two consecutive five-year terms – a maximum of 10 years – in a firm.

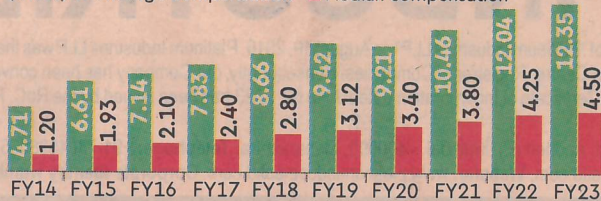
Hetal Dalal, president & COO of Institutional Investor Advisory Services (iiAS), noted that companies have been steadily refreshing their boards to meet the 2024 deadline when previous tenures of independent directors stop being grandfathered. "Nevertheless, the pace of this board refresh has slowed down in 2023, which is possibly why a larger churn for independent directors is on the anvil," Dalal said.

Even so, Dalal believes extent of the problem is limited. On December 31, 2023, the S&P BSE 100 companies had, in all, 1,065 directors, of which 582 were independent directors, of which only 74 had a board tenure in excess of 10 years. "Therefore, when looked at in its entirety, the churn is a relatively small share of total board directorships," she added.

Shriram Subramanian, founder and MD, InGovern,

INDEPENDENT DIRECTORS COMPENSATION IN NSE LISTED FIRMS-LAST 10 YEARS

(₹ lacs) ■ Average compensation ■ Median compensation



Source: primeinfobase.com

believes the challenges to recruit qualified independent directors are more to do with companies planning ahead of time and initiating the search process, rather than dearth of suitable candidates. "It is not difficult to recruit 20,000-25,000 independent directors in such a populous country," he said. Among the top 200 NSE companies, the term of six independent directors at MRF and five each of Dabur India and GMR Airports Infrastructure will expire in 2024. Firms such as Ashok Leyland, Bharat Forge, HCL Technologies, Larsen & Toubro, The Phoenix

Mills and Pidilite Industries have four independent directors' tenures ending this year. Dalal believes that the churn is not significant because on December 31, 2023, the S&P BSE 100 companies had a total of 1,065 directors, of which 582 were independent directors. Of these, only 74 had a board tenure in excess of 10 years.

NSE-listed companies have already appointed 233 independent directors in 2024 (till February 29), 1,360 each in 2023 and 2022, and 1,342 in 2021. Their cessations stood at 122 in 2024 and 786 in 2023, a

fall from 915 in 2022, while that in 2021 stood at 792.

However, the remuneration of independent directors has been a point of discussion for quite some time. "Given their existing responsibilities and liabilities, the remuneration of independent directors has remained a concern," added Dalal. While the sitting fees have been capped, companies pay out commission to independent directors, making it a more comprehensive remuneration structure. In March 2021, regulations were changed to allow independent directors to be paid commission even if the company made losses – this was in recognition of the need to compensate them for their time and deliberations, said Dalal.

Subramanian says there are no explicit restrictions on remuneration, only in the structure of the remuneration. "Many leading companies pay even up to ₹2 crore per annum. As demand on their time and areas of expertise have increased, the compensation has also increased," he said.