

## Sebi may find it tough to implement panel's proposals on directors

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Sebi chairman Ajay Tyagi

MUMBAI: In a report released on Thursday, a 25-member Securities and Exchange board of India (Sebi) panel led by banker Uday Kotak suggested greater powers for independent directors and more steps for transparency and disclosures at listed companies.

The corporate affairs ministry has opposed half of them, and an independent survey found implementing them will require companies to overhaul their boards.

If the proposals are implemented, at least 256 companies on NSE will need to increase their board size and 637 will have to appoint a woman director, a survey by Prime Database showed.

In its dissent note to the proposals, the ministry of corporate affairs (MCA) opposed 12 out of the 24 key proposals and said the changes are not feasible and in many instances will cause a regulatory overlap and unnecessarily make the functioning of boards much tougher.

The Sebi panel recommended raising the minimum number of directors in listed firms from three to six. MCA has said it will raise costs for firms. It also disagreed with the panel's view on women board members. While the panel suggested every listed firm should have at least one woman independent director, MCA said there is no need to have a woman independent director, but a woman director not related to the promoters will bring in gender diversity.

There are 1,670 companies listed on NSE, accounting for 99% of market cap of NSE listed companies. At present, of the 1,670 firms considered for the survey, 154 companies have five directors, 82 have four, 19 have only three and one company just has two, according to Prime Database data shared with Mint.

The Kotak committee has also suggested that at least 50% of the board members be independent directors as compared to the current requirement of 33%. Even though MCA has not commented on this proposal, there are at least 326 companies (of the 1,670 listed on NSE) which will have to change the composition of boards to ensure that at least half of them are independent.

In order to ensure the company board is independent of the management, the Sebi panel said chairmanship should be solely non-executive, and suggested segregating the roles of chairman and MD (CMD). Out of 1,670 firms listed on NSE, there are at least 640 firms that will have to segregate these roles and 860 firms will have to reappoint their chairman on a non-executive role, according to the data by Prime Database.