

PSU boards await clearance for independent directors

Delays invite penalties from exchanges; proxy advisors point to the govt approval process

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Over three-fourths of listed public sector firms that do not have the requisite number of independent directors continue to wait for clearance from various government departments.

As many as 62 out of 79 listed public sector undertakings (PSUs) lack the mandated number of independent directors, according to data from Prime Database, a market data tracking firm. Despite repeated regulatory reminders, these companies await clearances from their respective ministries, delaying crucial appointments and inviting penalties from stock exchanges.

The list of non-compliant PSUs includes banks, oil and gas companies, metals and mining firms, power utilities, telcos, railways, engineering firms.

Hindustan Aeronautics Ltd, Indian Oil Corp. Ltd, Indian Railway Catering and Tourism Corp, State Bank of India, National Aluminium Company Ltd, and Steel Authority of India Ltd, among others, did not have the minimum number of independent directors as of 2 June, according to Prime Database.

According to the Securities and Exchange Board of India's listing regulations, at least one-third of a listed entity's board members must comprise independent directors. Additionally, if the chairman is an executive director, at least half of the board must consist of independent directors.

There are more red flags when it comes to board committees: 64 PSUs lack an independent director as chairperson of their audit committee, and 68 companies do not have independent chairs for their nomination and remuneration panels.



As per Sebi's regulations, at least one-third of a listed entity's board members must comprise independent directors. REUTERS

Additionally, 14 of the listed PSUs are yet to appoint a single woman director, despite gender diversity requirements, according to Prime Database.

"It's ironic that we are asking all private sector companies to comply with

been fined by stock exchanges.

Last week, National Aluminium Company Ltd (Nalco) was fined ₹33.32 lakh for having only three independent directors—two short of the required five—on its 10-member board.

The bottleneck lies in the approval process across various ministries, according to proxy advisory firms. "The Prime Minister's Office should send a strong message to all concerned ministries and PSU companies that they need to be compliant, as non-compliance by PSUs doesn't send the right message to investors," said Shriram Subramanian, founder and managing director of InGovern Research Services, a proxy advisory firm.

"For instance, when the government, as a major shareholder, is involved in abusive transactions or there is trouble with key management, independent directors are the custodians of minority shareholders' interests," Subramanian said.

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RED FLAGS

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these requirements when government-owned companies themselves are non-compliant," said Pranav Haldea, managing director at Prime Database.

With PSUs failing to comply with the market regulator's rules, many have

A spokesperson for Nalco said the company was continuously following up with the ministry of mines, its administrative ministry, for the appointment of the requisite number of independent directors.