

Independent directors skip red flag details while quitting

Not giving honest explanations to shareholders is a breach of the spirit of Sebi's norms

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BENGALURU/MUMBAI

By quitting India Gate basmati rice maker KRBL Ltd's board on 8 September over governance issues, Anil Kumar Chaudhary joined a rare group—only the 22nd independent director in six years to voice disagreements with management while resigning from a listed firm.

That rarity becomes clearer when set against the larger picture: In the same period, more than 3,100 independent directors exited the boards of more than 1,500 listed firms for reasons other than superannuation, retirement, demise, or completion of term, according to data shared by market intelligence firm Prime Database.

Most outgoing independent directors—even if they resign over governance concerns or management disputes—cite explanations like 'personal reasons' in their resignation letters.

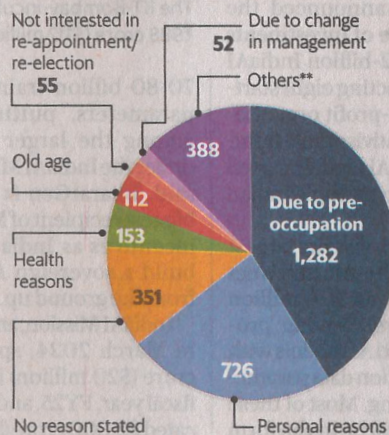
Experts say many resigning independent directors stop short of giving honest explanations to public shareholders, which is a breach of the spirit of the Securities and Exchange Board of India's (Sebi) regulations. The Listing Obligations and Disclosure Requirements Regulations of 2015 mandate that listed firms disclose independent directors' resignation letters—along with the detailed reasons for the decision to quit—to the stock exchanges within seven days. The independent director must also confirm there are no material reasons other than those cited.

"Corporate governance issues most certainly exist in Indian corporations. However, independent directors, who are invited by companies to join their boards and also receive a fee for their services, often find it awkward to highlight lapses in their operations," said Pranav Haldea, the managing

Transparency takes a hit

Number of independent directors in NSE-listed firms, by the reason for end to their tenures*, since 2020.

Number of independent directors



*Excludes retirements, superannuations, end of term, and deaths. **Includes 22 cases of resignations due to non-cooperation or disagreement with the management. Data as of 16 Sep 2025.

Number of companies from where independent directors resigned for reasons other than retirement, superannuation, end of term or death.



*Data as of 16 Sep 2025.

Source: primedatabase.com

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director of Prime Database Group.

Data shows that 80% of them cited either preoccupation, personal reasons, health, or no reasons at all, for leaving in the last six years.

The number of independent direct-

health, they soon join the board of another company," said Haldea.

"Not all independent directors are comfortable disclosing the real reason for leaving. Many simply cite personal or health issues as the reason. It is pos-

sible that a director suspects red flags, but may not have enough data points to confirm it," said Shriram Subramanian, the managing director of proxy advisory firm InGovern Research.

DIRECTORS quitting over disagreements with management hit a high in 2022 in the last six years

ONLY 2 independent directors, Chaudhary and Menon, cited management clashes while resigning

calls weren't taken for over six months, said Subramanian, citing the example of Arun Menon, who quit the board of Gensol Engineering Ltd in April.

The regulations for good corporate governance practices are adequate, but the market regulator needs to be more proactive in enforcing them when instances of poor governance arise, Subramanian said, adding that prompt actions and swift probes are essential to address such issues effectively.

In the last six years, resignations by independent directors over disagreements with management hit a high in 2022, with nine exits. Only two independent directors—Chaudhary and Menon—have cited clashes with management this year while resigning.

Chaudhary wrote in his resignation letter that "in such an operating environment where dissent is suppressed or sidelined, remaining on the board would compromise both my professional ethics and obligations as defined under Indian corporate governance codes".

The independent directors who resigned over the past six years were from 13 listed firms. In addition to those mentioned above, they included Yes Bank, Aksh Optifibre, PTC India, Prime Securities, PVP Ventures, Dhanlaxmi Bank, VIP Industries and Sabar Flex India. In the case of VIP, Nisaba Godrej stepped down due to differences of opinion on leadership accountability and succession planning rather than outright governance issues. The stocks of eight of these 13 firms have underperformed compared to the benchmark Sensex since the day the independent directors resigned. For instance, the KRBL stock has declined over 10% since it made Chaudhary's resignation letter public on 13 September.

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CUT TO THE CHASE

80% of them cited preoccupation, no reasons or personal reasons, for leaving in the last six years

THOSE resigning due to personal reasons rose from 121 in 2020 to 132 by the end of 2024

ors resigning for personal reasons rose from 121 in 2020 to 132 by the end of 2024, while those quitting due to pre-occupation increased from 194 in 2020 to 266 in 2024, Prime Database said.

"It has also been seen that while some directors step down citing age or

sible that a director suspects red flags, but may not have enough data points to confirm it," said Shriram Subramanian, the managing director of proxy advisory firm InGovern Research.

In one case, a director mentioned trying to contact the promoter but the