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India on track to be among largest regional networks: WTCA's Wang

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Commercial operations take off at Navi Mumbai airport; airlines draw expansion plans



Mid-term exits by independent directors highest since 2017

Those valued at less than ₹100 crore accounted for 142 exits. There were 191 among companies valued between ₹100 crore and ₹1,000 crore. Less than 12 per cent of the exits were from companies with ₹10,000 crore in market capitalisation or above.

Anecdotally, shareholder feedback suggests that the average large company often has reasonably high governance standards while that is not always true for smaller companies, suggested Amit Tandon, founder and managing director of proxy advisory firm Institutional Investor Advisory Services (IIAS) India.

That said, people are becoming more aware of their responsibilities, according to Tandon. "The conversation has shifted from 'it is a privilege' to be on the board of a company to 'it is a responsibility,'" he said.

The exits come after a period of churn following regulatory changes capping the stay of an independent director to two consecutive

consumer goods. All of these sectors had 30-40 mid-term resignations each this year. But the trend seems wide-

spread. Exits are seen in companies in over 60 sectors and the top five account for less than a third of the total.

five-year terms. This came following the Companies Act, 2013. There has been increased institutional scrutiny of the number of companies that directors are serving, according to an earlier report by IIAS. "Global investors, and some domestic investors, are raising concerns on the overboarding of independent directors. Indian regulations allow individuals to hold up to 20 board positions, of which a maximum of 10 can be in public limited companies. Of these 10, Indian regulations allow individuals to hold up to seven board memberships as independent directors in listed companies. For executive directors of listed companies, board memberships have been capped at three in the position of independent directors. The benchmarks globally are much lower," it said.

The sector with the largest number of mid-term cessations is textiles, followed by software and fast-moving

spread. Exits are seen in companies in over 60 sectors and the top five account for less than a third of the total.

Mid-term exits by ind directors highest since '17

Many from companies with less than ₹100 crore in mcap

SACHIN P MAMPATTA
Mumbai, 25 December

The number of independent directors in listed companies leaving office this year before the end of their term is the highest since 2017, the earliest year for which the data on this is available.

There have been 510 resignations as of the middle of December, shows the data from primeinfobase.com.

The figure last year was 393. The number of exits has picked up significantly since the pandemic. There were 265 mid-term cessations in 2019, the year before the pandemic.

The last few years have seen more pressure on independent directors to deliver, according to Shriram Subramanian, founder and managing director, domestic proxy advisor InGovern Research Services. "There is an increasing (amount of) focus and scrutiny," he said. A proxy advisory firm provides guidance on company resolutions, including the appointment of directors, to shareholders.

The reasons given for the resignations include being occupied with other matters, and personal and health factors. Some have cited regulatory norms, joining the board of other companies, and conflict of interest.

Some exited due to shifting to other places of residence, and old age, whereas some others have given no reason for their exit.

Exit trends

30% increase over 2024

Mid-term resignations of independent directors



*Data as of mid-December
Source: primeinfobase.com

No. of resignations

Reasons

Pre-occupation	279
Personal	122
Health	18
Conflict of management interest/change in	10
Others	71

Note: Conflict of interest and change in management were given as reasons by 10 directors each
Sources: primeinfobase.com, Business Standard calculations

More common in small cos

Mcap	No. of resignations
Under ₹100 cr	142
⇒ ₹100 cr < ₹1,000 cr	191
⇒ ₹1000 cr < ₹10,000 cr	116
⇒ ₹10,000 cr < ₹1 trn	47
Over ₹1 trn	14

Top 5 sectors account for 30% of exits

No. of resignations	Sectors
39	Textiles
33	Information technology
30	Fast-moving consumer goods
28	Infrastructure developers and operators
25	Trading

Sources: primeinfobase.com, Business Standard calculations