

Many firms yet to comply with Sebi rules

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MUMBAI: More than 200 firms in India have failed to comply with a key initiative of the Securities and Exchange Board of India (Sebi) to enhance corporate governance at listed companies.

Data compiled by NSEinfo-base.com showed that 212 companies have not appointed a woman as independent director by the April 1 deadline set by Sebi.

Of these companies, 52 rank among the top 500 companies in India. These include HDFC Asset Management Co. Ltd, InterGlobe Aviation Ltd, Jindal Steel & Power Ltd, Union Bank of India, Indian Overseas Bank, and BSE Ltd.

Most of the non-compliant companies are public sector enterprises, according to NSEinfo-base.com, an offering of PRIME Database, a primary market tracker.

Sebi had on March 28, 2018 approved at least 40 proposals, based on a October 2017 report by a Uday Kotak-led panel, to boost governance at listed companies. Some of these provisions had to be met by April 2019.

The proposals include appointing at least one woman as independent director, ensuring that no director is more than 75

Reality check

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212

Firms out of top 1,000 listed firms that still don't have a woman independent director

342

Firms that are yet to propose a special resolution for the removal of 537 directors aged above 75 on their boards

35

Firms that are yet to meet Sebi's mandate of having at least 6 directors on their boards

Source: NSEinfo-base.com



years old and that there are at least six directors on the board.

"Partly this represents an attitude issue. In the past, we have seen that larger-sized companies tend to take regulations seriously and are compliant. The second issue is that the consequence of non-compliance is generally very small. It is usually negligible monetary penalties," said Amit Tandon, chief executive officer of proxy advisory firm Institutional Investors Advisory Services (IiAs).

Four years ago when faced with a similar issue of having at

least one woman director, Sebi helped out companies by extending the deadline by six months. A financial penalty was imposed on companies that were non-compliant even after the extended deadline.

"It is surprising that many of the top 500 companies are not compliant. The biggest surprise is about directors who continue to be on the board of listed companies despite attaining the age of 75. There are 342 companies who are yet to propose a special resolution for the removal of these ageing non-executive

directors," said Pranav Haldea, managing director, PRIME Database Group.

As of Tuesday, 1,026 non-executive directors in 614 listed firms were at least 75 years old, the age set by Sebi for retirement. Of these, 257 companies have passed special resolutions for removing 463 directors. However, the result of special resolutions for 15 other companies having 26 directors are still pending. These include Reliance Industries Ltd, Maruti Suzuki India Ltd, Colgate-Palmolive (India) Ltd, Berger Paints India Ltd and TVS Motor Co.

Also, at least 35 firms are still to meet Sebi's mandate of having at least six directors on their board.

"Many companies are banking on getting an extension on the date of compliance. However, no communication has come from Sebi on extending the deadline," said a lawyer who is consulting with companies on compliance with the governance norms.

Another important change recommended by Sebi was to split the role of the managing director and chief executive officer.

The companies have time till April 2020 to comply in this regard, but as of Tuesday at least 154 companies were still to do so.