

**INCREASED SCRUTINY** into lapses at India Inc is bringing the focus back on accountability

# Corporate Governance Gets Its Due

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**ET Intelligence Group:** The noise around corporate governance lapses in India Inc has one big silver lining to it. Increased scrutiny, regulatory catch-up to plug loopholes and immediate impact on valuations are forcing a clean-up in corporate governance practices.

"The Companies Act 2013, Sebi listing obligations and disclosure requirements were expected to change the governance ecosystem," said JN Gupta, founder of Stakeholders Empowerment Services. "But India Inc and policymakers were slow to start with — and we are seeing the impact bit by bit."

The Companies Amendment Bill

## Smelling a Rat

Record of exits from boards of listed companies



|                                    | 2017 | 2018 | 2019-till date |
|------------------------------------|------|------|----------------|
| Auditors' Resignation              | 28   | 76   | 30             |
| Independent Directors' Resignation | 518  | 608  | 435            |

SOURCE: nseinfobase.com

2019 has provisions on debarring of erring auditors, breach of maximum directorships to be a disqualification for the directors, declaration of beneficial ownership, tightening of rules related to CSR and disgorgement of properties in case of corporate frauds. The government has already deregistered four lakh shell companies and is mulling rules

related to online exams and voting process for independent directors.

"Investors, brokers and analysts have started looking much closely at resignations of directors and auditors and the reasons for their exits," said Pranav Haldea, MD of Prime Database. "Companies have started seeking data on their peer group to better understand their governance," he said.

"The cases of bad governance or even non-governance have triggered increased discussion on not only the 'letter' of the provisions, but also the underlying 'spirit'," said Milind Sarwate, an independent member on several Indian boards. "For instance, the set of regulations covering related-party transactions has been present in the statutes for several years, but it is only in recent times that there is a greater scrutiny of such transactions," he said.

Independent directors are reviewing their role in the companies that bring them on board. According to Varun Gupta, Asia-Pacific leader of valuation firm Duff & Phelps, independent directors who were generally the quiet lot on the boards are taking on more of an activist role.