

India Inc has fewer bureaucrats on board

SACHIN P MAMPATTA
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The number of civil servants on the boards of large listed companies is at its lowest since new regulations tightening responsibilities of directors were introduced in 2013.

There are 466 Indian Administrative Service (IAS) officials occupying board seats. Among them, independent directors number fewer still at 346, also the lowest since 2013, shows data from corporate tracker primeinfobase.com. An independent director is one who is not connected to the company's promoter.

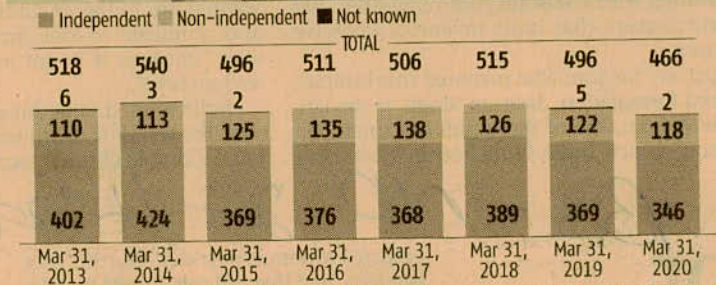
The share of independent directors as a percentage of total civil servants on company boards has also declined since 2013, based on available information. Data on the independent status of all directors is not known, and there are some directors whose status since 2013 is unclear. The proportion of independent directors among civil servants, where data is available, shows a decline

from 77.6 per cent as of March 2013, to 74.2 per cent in March 2020.

In the Companies Act, 2013, the government placed higher liabilities on directors over firms' non-compliance with the law. The Ministry of Corporate Affairs recently clarified that entities should not face civil or criminal proceedings unless necessary, noted consultancy firm KPMG in a March 17 note. It said independent directors and non-executive directors were considered on par with others, despite the fact that they might be at an information disadvantage.

"The circular seems to address this matter by casting a greater responsibility/obligation on the registrar to examine relevant information such as board agenda, minutes of the board meetings to ascertain participation of the directors, records of appointment and resignation of directors and copies of the annual returns or financial statements before proceeding against (independent and non-executive directors)," KPMG said.

"At the time of serving notices to



Note: Shows number of IAS officers by type of directorship held

Source: primeinfobase.com

the company, during inquiry, inspection, investigation, or adjudication proceedings, necessary documents

must be sought so as to ascertain the involvement of the concerned officers of the company.... all care

must be taken to ensure that civil or criminal proceedings are not unnecessarily initiated..." said the ministry circular, dated March 2.

Amit Tandon, founder and managing director of Institutional Investor Advisory Services India (IIAS), said this trend could also be indicative of a larger shift away from generalists to specialists. Someone who has an in-depth understanding of a topic, for example human resources, would be more in demand than others who might not be able to claim authority on a single subject, he suggested. "As business is getting more complex, you need people with domain expertise," he said.

Directors had become wary of association with companies after a spate of accounting scandals broke out, noted the chief executive officer of a domestic asset manager. There had been a number of such instances where auditors resigned in recent years. "People are very careful in terms of which board they want to (be a part of)," Tandon said.