

Exodus Of Ind Directors Gains Pace on Reputational, Legal Concerns

The exodus of independent directors from listed firms has gained pace with as many as 1,344 resigning from NSE-listed companies in FY20, 45% more than in the year earlier. Also, the number is almost 80% more than FY18, when 746 independent directors had quit.

778

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As many as 1,344 of them quit in FY20, 45% more than the same period in 2019

Kala Vijayraghavan, Maulik Vyas & Lijee Philip

Mumbai: The exodus of independent directors from listed companies is swelling. As many as 1,344 independent directors resigned from companies listed on the National Stock Exchange in FY20 – that's 45% more than a year earlier and an 80% increase from FY18, according to data from primeinfobase.com.

'Personal reasons' was the most common explanation for resigning. As many as 296 independent directors resigned, citing personal or health reasons, pre-occupations, conflict of interest, change of role, or disagreement. Another 184 independent directors did not offer themselves up for re-appointment after they retired or their term ended.

From January to August of this calendar year, 567 directors resigned from multiple company boards for the same reasons. There are 1,630 companies listed on the NSE. One-third of the total number of directors in a listed company must be independent. Several top directors told ET they refused to take up offers because of concerns over reputation and the fear of legal liabilities as independent directors are increasingly being held accountable for the actions of the promoters and the management.

Ravi Venkatesh, a former director of

Moving Out

1,630
Companies listed on NSE

1,344
Companies that saw independent directors quitting during FY20

Of these, 296: Directors cited personal reasons

184: Directors retired or their term ended and did not offer themselves for re-appointment



It is hazardous to one's reputation and there are just a handful of companies that show true leadership and governance standards. Draconian measures to ensure good behaviour will not work

– Ravi Venkatesh, a former director

several marquee Indian companies, said he has stepped down from all of them.

"It is hazardous to one's reputation and there are just a handful of companies that show true leadership and governance standards. Draconian measures to ensure good behaviour will not work," he said.

Subodh Bhargava, an independent director on the board of L&T and Batliboi, said independent directors are increasingly applying diligence and judgement before joining a board these days.

"The root cause is not being able to put

a finger on what's going wrong in a company," Bhargava said.

He added that the experience of academicians, professionals and bureaucrats taking on the role of independent directors is different and their lack of exposure at the corporate level can create issues.

Increasingly, because of the associated liabilities, independent directors are resigning from boards of companies with which they are not comfortable, said Pranav Haldea, managing director of Prime Database Group, which runs primeinfobase.com.