

Women directors: Sebi readies for action against errant firms

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NEW DELHI: A large number of listed firms, including some State-run entities, may face regulatory action by Sebi and stock exchanges after failing to appoint at least one woman director on their respective boards.

While the final tally of the non-compliant companies is being tabulated, the authorities have also come across discrepancies in cases where listed firms managed to announce the name of women directors before April 1, sources said.

In some cases, the Director Identification Number (DIN) has been found to be missing for the appointed women directors, while there are also instances of due process not being followed in calling a board meeting for such appointments.

The Corporate Affairs Ministry may also take action against non-compliant entities, as the Companies Act also provides for having at least one woman director on boards of listed companies.

As per initial estimates, nearly 200 companies listed on NSE failed to meet the deadline, while the numbers are much higher for the BSE.

The regulator is yet to take a call on the companies that failed to announce the name of women directors within the deadline, but later announced such appointments while stating that they were made before April 1.

Some companies had also written to Sebi and the exchanges about their 'inability' to meet the deadline, while citing reasons like 'lack of quorum' at their board meetings and sudden exit of their existing women directors.

Nearly 500 companies announced such appointments in the last two days - March 30 and March 31 - while over 100 firms made

such announcements on April 1. Besides, close to 50 companies have announced the appointments after April 1, although they have stated that the women directors were appointed with effect from March 31 or before.

The biggest concern for the regulator is the fact that some large State-run giants lagged behind in having at least one female member on their boards.

All listed companies were required to have at least one woman director on their boards April 1 onwards, as per a new Sebi directive, as also under the Companies Act, 2013.

The firms have been warned of "serious consequences", including hefty penalties for non-compliance. Sources said Sebi has sought a compliance status report from the stock exchanges and would take a call accordingly.

An extended weekend soon after the expiry of deadline -- due to holidays on Thursday and Friday -- came as a respite to the non-compliant companies but the regulator and the exchanges may begin penal action from Monday onwards, they added.

The companies without a woman director may face penal action under the Sebi regulations, as also under the Companies Act, including monetary fines. While Sebi norms provide for penalty of up to ₹25 crore, the penalty under the Companies Act can be from ₹5,000 to ₹5 lakh. A few companies have already written to the exchanges and Sebi about change in the name, saying that there were some mistakes in their earlier regulatory filing about the appointment.

This has given rise to suspicion that the companies could have just done a 'tick-box' job with the appointment in giving names of the women direc-

tors, without actually having brought them on board as yet.

Sebi had first issued the guidelines in February 2014, seeking compliance before October 1 that year, but later extended the deadline by six months.

The companies have, however, mostly appointed wives or daughters of their promoters or top executives, while some have also replaced their independent directors with their female family members, mainly wives, daughters or sisters.

According to leading proxy advisory firm, Institutional Investor Advisory Services India Ltd (IiAS), having a woman director on board is just the first step towards board diversity.

"Given that companies have had more than one full year to comply, we expect Sebi to take action," the proxy firm said.

Sebi has warned of strict penal action against the firms that fail to comply, while Chairman U K Sinha recently said it was "really shameful" that many companies were not being able to appoint even one woman director.

Sebi will look into the final compliance status and begin the process for undertaking necessary action against the non-compliant companies.

Similar action would be initiated by the Corporate Affairs Ministry for non-compliance to the Companies Act provisions.

Earlier, the new regime was applicable to all the listed firms. Sebi later exempted smaller companies -- those having equity share capital of up to ₹10 crore and networth not exceeding ₹25 crore, as also those listed on the SME platforms of the stock exchanges -- from the mandatory compliance "for the time being".

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