

No women director on board? Get ready for tough penalties

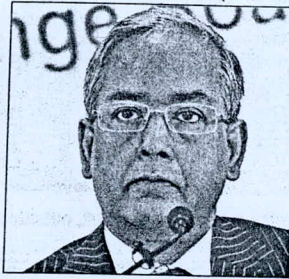
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MUMBAI: Capital markets regulator, the Securities and Exchange Board of India (Sebi), is likely to take action against listed companies including some large public sector enterprises for failure to comply with norms regarding appointment of at least one woman director on board.

While the regulator did not respond to queries on the issue, people familiar with the development told *HT* that Sebi could look at various options including holding back directors' voting rights or bar them from accessing the capital markets. The market regulator also has the option of levying a penalty up to a maximum of ₹25 crore.

The regulator had earlier initiated similar action against companies when they had failed to meet the minimum 25% public shareholding norm, which required promoters to cut down



■ Sebi chairman UK Sinha

on their shareholding. To bring in gender diversity, Sebi had first issued guidelines on at least one woman director in February 2014, giving companies time till October 1, for compliance. The deadline was later extended to March 31, 2015.

Of the 1,478 companies listed on the National Stock Exchange, about 310 companies have not complied so far, with a majority rushing to fill in the spots by appointing women relatives such as wives, sisters and daughters

as directors on different boards.

"A monetary penalty may not be a pragmatic solution as it indirectly affects public shareholders. The responsibility of appointing a woman director is that of the company and will have to be discharged through the company's promoters/board of directors," said Yogesh Chande, associate partner at ELP Advocates and Solicitors.

According to shareholder advisory firm IIAS: "Sebi has increased its focus on strengthening corporate governance and may take this opportunity to establish the seriousness of its intent. This time, Sebi could restrain promoters and directors of non-compliant companies from holding any new position as director in listed companies. But, expect the severity of the penalty to increase with the passage of time, which may include severe financial penalties and eventually restrictions on accessing the capital market."