

# Separation of Powers: India Inclined? Not Quite

Companies have time till April 1 to fall in line with Sebi's diktat that chairperson and MD/CEO are not same or related

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Can't wait till the new season of *Succession*? A desi boardroom drama is being scripted by Sebi: it's what happens when the regulator asks family-run business to ensure that its chairperson, CEO and other executives are all different, unrelated, individuals. The Sebi has mandated a clear separation of the roles of chairperson and managing director. Its directive also says the chairperson should be a non-executive director and not related to the managing

director or the CEO. The motivation for this diktat, say experts, is to improve corporate governance, get more professionals in rather than let families run the entire show. It will also encourage a sense of professionalism and reduce concentration of authority in a single individual. But that is not how Indian business families see things. They counter that family-run corporation is a uniquely Indian phenomenon, and global best practices can't be copied-and-pasted to Indian rulebooks. Venu Srinivasan, chairman of TVS Motor, says, "It's not the right regulation for the country. Indian cor-

porates are largely family-owned businesses. This regulation is borrowed out of context from European practice where managements have very little stake in the company." In fact, he maintains, this is the kind of regulation needed in markets lacking in "shareholder democracy"—to prevent abuse by the CEO. In contrast, in India, "families' interest" in the value for the company is a large percentage, 40-70%, and their objectives are aligned with the company, adds Srinivasan. According to Nseinfobase.com (run by Prime Database), of the top 500 companies by market capi-

ting or chairing a board. What is expected from the two roles is different, so you should separate the roles, with different persons responsible for those," says Amit Tandon, MD of proxy advisory firm IIAS. Asking that the two not be related adds to the complexities for companies. It has added an emotional element to the decision, which has moved from the boardroom to the family room, says Tandon. If regulations require it, companies will have no choice but to comply with them. A few will comply in both letter and spirit and a few might go for the "Putin put" (moving to a titular role but exercising total control), says Tandon. "The real test shall be in its implementation and whether it is followed only in letter or in spirit as well, especially by some of the larger companies," says Pranav Haldea, managing director of Prime Database. [lijee.philip@timesgroup.com](mailto:lijee.philip@timesgroup.com)

Harsh Goenka, chairman of RPG Group, agrees that chairman and MD should be different. There is merit in separating the roles, he says. Power should not be concentrated in one person. However, if chairman and MD are related and if shareholders agree to that, they should be allowed to hold those positions, he says. "Why should capability be penalised. Let the shareholders decide," says Goenka. Sebi has made it clear that it will stick to the deadline. The ball is now in India Inc's court. "Obviously, promoters will find it difficult to let go of the control of the board and the prestige that the role of CMD brings. Family businesses will be hesitant to bring a non-loyal outsider into the board and give the role of non-executive chairman to that individual," says Shriram Subramanian, founder and MD, InGovern Research, a proxy advisory firm. "The thinking behind the regulation is that running a company is different from run-

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## COMPLIANT COMPANIES

Top 10 of 500 firms (by market cap) where chairperson & MD/CEO are not the same or related, and chairperson is non-executive

COMPANY
TCS
HDFC Bank
Infosys
HDFC
ICICI Bank
Kotak Mahindra Bank
Bajaj Finance
Asian Paints
Axis Bank
Maruti Suzuki

\*According to market cap Source: primeinfobase.com

## TOP 10 OF 500 COMPANIES WHERE CHAIRPERSON HAS AN EXECUTIVE ROLE

COMPANY	CHAIRPERSON
RIL	Mukesh Ambani
HUL	Sanjiv Mehta
State Bank of India	Dinesh Kumar Khara
Bharti Airtel	Sunil Bharti Mittal
ITC	Sanjiv Puri
Wipro	Rishad Premji
Adani Ports & SEZ	Gautam Adani
Bajaj Finserv	Sanjiv Bajaj
Oil & Natural Gas Corp	Subhash Kumar
Adani Enterprises	Gautam Adani

## TOP 10 AMONG 500 COMPANIES WHERE CHAIRPERSON AND MD/CEO ARE THE SAME

COMPANY	CHAIRPERSON & MD/CEO
RIL	Mukesh Ambani
HUL	Sanjiv Mehta
ITC	Sanjiv Puri
Adani Ports & SEZ	Gautam Adani
Bajaj Finserv	Sanjiv Bajaj
ONGC	Subhash Kumar
Power Grid Corp of India	K Sreekant
JSW Steel	Sajjan Jindal
NTPC	Gurdeep Singh
BPCL	K Padmakar

## TOP COMPANIES BY MARKET CAP WHERE CHAIRPERSON & MD/CEO ARE RELATED

Company	Chairperson	MD/CEO
HCL Technologies	Roshni Nadar Malhotra	Shiv Nadar
Adani Ports & SEZ	Gautam Adani	Karan Adani*
Adani Enterprises	Gautam Adani	Rajesh Adani
Bajaj Auto	Niraj Bajaj	Rajiv Bajaj
Shree Cement	BG Bangur	HM Bangur Prashant Bangur
UPL	Rajnikant Shroff	Jai Shroff
Lupin	Manju D Gupta	Nilesh D Gupta Vinita Gupta*
Cadilla Healthcare	Pankaj R Patel	Sharvil P Patel**
Apollo Hospitals Enterprise	Prathap Chandra Reddy	Sangita Konda Reddy** Suneeta Reddy
Bajaj Holdings & Investment	Shekhar Bajaj	Sanjiv Bajaj

\*CEO, \*\* Joint MD





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