

# Over a third of top-500 firms yet to split MD and chair roles

Half of India Inc in breach of SEBI norm; blue-chips like RIL, Unilever, ONGC in the list

**SURABHI**

Mumbai, January 26

Over a third of the top 500 companies by market cap are yet to comply with SEBI's requirement to split the post of chairperson and managing director by April 2022 deadline.

As many as 155 companies have the same person as chairperson and MD & CEO as on January 13, 2022, according to data compiled by primeinfobase.com. These include leading private sector firms such as Reliance Industries Ltd, Hindustan Unilever, Bajaj Finserv as well as public sector giants like ONGC, NTPC and Coal India. Others in the list include Edelweiss Financial Services, Escorts Ltd, Raymond Ltd.

Significantly, in 85 companies, the chairperson and MD & CEO are related. Adani Enterprises, Bajaj Auto and Muthoot Finance are among these.

Taken together, almost half the companies, or 49.6 per cent, are still not compliant with the SEBI norm that aims to improve corporate governance.

"The provision has to be looked at in totality; the chairperson should be non-executive, the chairperson and MD & CEO cannot be the same person, nor can they be related. All of these are relevant. It is

concerning that such a large number of companies are yet to comply with the norms even after four years," said Pranav Haldea, MD, Prime Database Group.

The sub-regulation is not applicable to 15 companies — such as BSE, Larsen & Toubro and HDFC — as they do not have any identifiable promoter according to their shareholding pattern.

However, 245 of the top 500 firms are in compliance, including Tata Consultancy Services, Sun Pharmaceutical Industries, Dabur India and Britannia Industries.

Of the top 500 companies, 498 were included in the analysis. Thyrocare Technologies Ltd and Jindal Poly Films were not covered as they do not have either a chairperson or MD & CEO.

## Extension in the works?

Haldea said it was difficult to say if SEBI's deadline would be extended, but even if these firms do comply, it may be in letter rather than in spirit, by appointing someone on the board as chairperson.

"It is unlikely that they would want to give up executive roles and retain the post of MD and CEO," Haldea said, pointing out that in the past, in the appointment of women directors on the board, most companies complied at the

## HOW INDIA INC FARES

155	245	15	85
Companies where Chairperson and MD/CEO are same	Companies where Chairperson and MD/CEO are not same or related and Chairperson is non-executive	Companies where this sub regulation is not applicable	Companies where Chairperson and MD/CEO are related
Reliance Industries	TCS	BSE	Adani Enterprises
Hindustan Unilever	HDFC Bank	HDFC	Adani Ports and SEZ
Bajaj Finserv	Infosys	Larsen & Toubro	Bajaj Auto
ONGC	Bajaj Finance	Redington (India)	Shree Cement
Adani Ports and SEZ	Kotak Mahindra Bank	ICICI Bank	SRF

Source: primeinfobase.com; Top 500 companies by market cap as on March 31, 2021; Data is as on January 13, 2022

last minute, that too with family members rather than professionals.

Markets regulator SEBI had initially asked the top 500 listed companies to separate the roles of Chairperson and MD & CEO by April 1, 2020. However, based on representations from industry, the deadline was extended by two years. SEBI Chairman Ajay Tyagi had in April 2021 noted that by end-December 2020, only 53 per cent of the top 500 listed entities had complied.

## Family-driven concerns

The Confederation of Indian Industry had recently requested SEBI to defer the deadline by two years, if not withdraw it altogether or make it recommendatory and not mandatory. Others experts believe there would be a need to extend the deadline.

"There is likely to be an extension to the norms. The psychology of most Indian corporates is different as most of them are family- or promoter-driven businesses," said Pavan Kumar Vijay, founder of legal and financial consulting group Corporate Professionals, pointing out that typically the post of MD and chairperson are in the family, with the MD holding the power and the chairperson being the eldest member of the family, such as the father, who is given the highest respectable post.

"The question then is how can either of the roles be given away to a professional from outside the family? Further, in promoter-driven companies, the majority of investments are from the promoter group, and then it is a struggle to split the role of the MD and chairperson," he said.