

As much as 64% of 9,669 independent directors on boards of 2,442 companies listed on NSE have been appointed for the first time, compared to 61% a decade ago, shows data

Most Independent Directors of Listed Cos are First-timers

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Mumbai: On average, two out of every three independent directors had no prior experience to be on the board of a listed company. As per data sourced from Prime Database, 64% of the 9,669 independent directors on boards of the 2,442 companies listed on NSE were first-time such directors. This proportion was marginally lower at 61% a decade ago.

To be sure, a bulk of the first-time independent directors have been appointed in the past five years by mid- and small-sized companies. When leading companies appoint first-timers on the board, they are generally former bureaucrats or expats that haven't been directors on boards of listed companies in India.

For instance, ITC appointed two former bureaucrats with no prior experience on boards of listed companies as independent directors this year. Similarly, IT companies such as Infosys, Wipro and LTI Mindtree have roped in expats as independent directors.

"The mandate of first appointing a woman director and then a woman independent director as well

New on the Block

As on Date	No. of Cos Listed on NSE	No. of Independent Directors on Board in These Cos	First-time Appointees in a NSE-Listed Co	Proportion of First-time Independent Director (%)
31-Mar-2014	1,489	6,051	3,714	61
31-Mar-2019	1,672	6,668	4,163	62
16-Sep-2024	2,453	9,683	6,154	64

Source: primeinfobase.com



as the ongoing 'board refresh' under which independent directors who have completed at least ten years on a board have to move out has contributed to the high number of first-time independent directors", said Pranav Haldea, MD, Prime Database Group.

Incidentally, if a company rolling out an IPO has several of its directors as first-time directors on the board of a listed company, it is spelt out as a risk factor in the red herring prospectus of the company.

"Barring the few high profile, most other independent directors are underpaid, especially first-timers and manage to hold single directorships" said former Sebi executive JN Gupta, who is founder

of proxy advisory firm SES.

Among the Nifty-50 companies, TCS, Tata Motors, Bajaj Finserv, Britannia Industries, SBI Life Insurance, Asian Paints, Adani Enterprises, Shriram Finance and Bharti Airtel do not have any first timers as independent directors. Against that, PSUs such as Coal India, ONGC and BPCL as well as Divi's Labs and ITC have the highest number of first-time independent directors among the Nifty-50 companies.

"The proportion of experienced directors continues to be low," said Milind Sarwate, founder of Increate, and an independent director on several boards. "From the macro angle, increasing proportion of

'new' directors is good in a way that it democratises the profession of independent directorship - ensuring it does not remain the preserve of a few. It prevents the formation of a close clique among independent directors".

As per Sarwate, smaller firms are going for inexperienced first-time directors—for lack of availability of experienced ones or because such new directors may be more 'manageable', and in any case, less costly.

Industry experts consider it to be good for companies to have a mix of experienced and new directors. "Both scenarios of companies with only experienced directors as well as companies with only first timers are extreme and bad," said Gupta. "In the former scenario, experienced directors can only give limited time to the boards they sit on while in the latter case, first timers come with little experience and are more likely to be onboarded to be yes men".

"Boards do need to have a judicious mix of the inexperienced and the experienced ones - there must be a combination of the exuberance of the new and the wise circumspection of the old," Sarwate said.