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## PRESS RELEASE

### **LIMITS ON MAXIMUM NUMBER OF DIRECTORSHIPS, TENURE AND NOMINEE DIRECTORS TO HAVE SIGNIFICANT IMPACT: INDIANBOARDS.COM**

SEBI has recently announced new Corporate Governance norms with reference to independent directors. Besides mandating a woman director on each board, SEBI has now stipulated that a person can serve as an independent director on the boards of a maximum 7 listed companies and a maximum of 3 listed companies in case the person is serving as a whole time director in a listed company.

According to Pranav Haldea, Managing Director, PRIME Database, which runs **indianboards.com**, a joint initiative of PRIME Database and NSE, “this would mean that 97 persons would have to resign from 283 independent directorship positions in NSE-listed companies by 1<sup>st</sup> October 2014...This is a welcome move as independent directors would now be able to spend more time on a company.”

The person with the maximum number of directorships in listed companies is Mr. Pradip Kumar Khaitan with 14 directorships.

#### **Maximum Number of Directorships in companies listed on NSE & BSE**

Director Name	No.of Directorships
MR.PRADIP KUMAR KHAITAN	14
MR.ANIL HARISH	13
MR.DILIP JAYANTILAL THAKKAR	13
MR.RAJENDRA AMBALAL SHAH	13
MR.SANJAY KHATAU ASHER	13
MR.BANSIDHAR SUNDERLAL MEHTA	12
MR.NASSER MUKHTAR MUNJEE	11
MR.PRADIP PANALAL SHAH	11
MR.SRINIVASAN NATESAN	11
MR.AMBALAL CHHITABHAI PATEL	10
MR.BALAJI RAO JAGANNATH RAO DOVETON	10
MR.BRIJ BEHARI TANDON	10
MR.HAIGREVE PRADIP KUMAR KHAITAN	10
MR.JAYANT NARAYAN GODBOLE	10
MR.RADHA KRISHNA PANDEY	10
MR.SURESH NARSAPPA TALWAR	10

Source: [indianboards.com](http://indianboards.com)

More worrying, however, is even the present state of compliance with Clause 49 of the Listing Agreement regarding composition of board. According to Mr. Haldea “as many as 17 per cent of the NSE-listed companies (247 companies) are presently non-compliant. With SEBI’s new norms of not treating nominee directors as independent, the non-

compliance will go up to 22 per cent (319 companies). Presently, nominee directors are being considered independent in as many as 382 cases in 227 companies. In 104 of these companies, conversion from independent to non-independent shall make the company non-compliant with Clause 49”.

Regarding tenure, while the new Companies Act has mandated that an Independent Director cannot serve on the board of a company for more than 2 successive terms of 5 years each, this is on a prospective basis, which means that this provision would take effect only after ten years. However, according to Mr. Haldea “what is welcome is that SEBI has at least prescribed that if a person has already served as an Independent Director for 5 years or more in a listed company (as on 1<sup>st</sup> October 2014), he shall be eligible for appointment for only one more term of 5 years”.

According to **indianboards.com**, 1287 of a total of 6050 independent directorship positions (21 per cent) in as many as 660 of the 1456 companies listed on NSE have already crossed tenure of 10 years as on 21<sup>st</sup> February 2014. Significantly, as high as 48 per cent of all independent directorship positions have crossed 5 years. The longest serving Independent Director on the board of a company is Mr. Klaus Carl Uebel having been on the board of Hercules Hoists Ltd. for 51 years.

According to Mr. Haldea, “while a fixed term for independent directors is favourable for renewing boards, it would have served a better purpose in case both the Companies Act and SEBI would have made this provision applicable immediately, with, of course, a compliance leeway of one year. Effectively, no new independent director faces are likely to be seen at least for the next 5 years as a result of this provision”.