

SEBI extends deadline to split chairman, MD roles: Here's what experts say

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India's top 500 companies have gotten more time to split the roles of chairperson and managing director. Market regulator Sebi had set a deadline of April 2020 for top companies to comply with this rule. But without giving a reason, Sebi has extended the time limit by two years.

In fact, several companies have urged the market regulator to extend the deadline. At present, 253 companies are compliant with the rule and 247 companies remain non-compliant. The rule was introduced after a committee led by Uday Kotak suggested a major overhaul to corporate governance.

To discuss the impact of the move, CNBC-TV18 spoke to former chairman of Sebi M Damodaran, Founder and MD of Ingovern Shriram Subramanian, corporate lawyer Shardul Shroff, Managing Director of Prime Database Prithvi Haldea and former president of FICCI Sandip Somany.

Damodaran says he is disappointed with the decision. "I wish Sebi had gone ahead with this, enough time had been given to all the corporates. But going beyond the Kotak recommendations and saying that the chairman and the MD should not be related, that is something we need not have done. I am quite happy if that alone is taken out. However, the decision to give two more years is regressive," he said.

According to Shroff, there is no need to postpone the commencement of the issue of having a non-executive chairman. "However, the other aspect of the question of whether there should be no relationship between the chairman and the managing director is something I also agree with Damodaran. If you are an owner promoter with a 75 percent stake in a company, then why should that owner not be in management merely because the chairman happens to be a relative?" he asks.

Haldea also said enough time was given to corporates. "On the second point which Kotak Committee did not recommend but Sebi in its wisdom introduced, which was that chairman and the MD should not be related, I completely concur with that because the whole idea behind this corporate governance regulation is that the two roles have to be split and if they are to be split then what is the point of having the two related to each other? The whole idea of having a split is basically to ensure that there is no centralisation because if they are related then it effectively could mean the same thing continues going forward," he noted.

"It is not even clear now that two years down the line the same thing will not repeat because this actually caters to the ego of many CMDs and promoter families. So, from that perspective I think it is a huge setback for Sebi," Subramanian said.

Somany said Sebi's proposed rule that the chairman and managing director cannot be relatives caused a lot of heartburn in the industry. "The concept of not having relatives being in key management posts, that is unheard of anywhere in the world," he pointed out.

<https://www.cnbctv18.com/videos/business/sebi-extends-deadline-to-split-chairman-md-roles-heres-what-experts-have-to-say-5049951.htm>