



Business Standard



**Independent directorships
attract big names again**

February 8, 2010, 0:27 IST

A year after Satyam, most say companies are taking their role more seriously.

Berjis Desai, managing partner of legal firm J Sagar Associates, says professionals like him accept only one out of 10 proposals that come to him for independent directorship in companies. Desai, who joined the Edelweiss Capital board recently, says his experience in general has been satisfying.

“There is a new-found seriousness in the way board meetings are conducted now. Company managements are taking the role of independent directors seriously,” Desai says.


A year after the Satyam Computer (now Mahindra Satyam) fiasco, many eminent professionals and former bureaucrats seem to agree with Desai. After a few months of hesitation, which saw many exit company boards following the troubles at Satyam, a host of them have joined companies as independent directors in recent months.

ON BOARD

Some independent directors appointed in the last six months

| Name | Companies |
|---------------------|---------------------|
| K V Kamath | Lupin |
| Vijay Kelkar | Lupin, TCS |
| S Ramadorai | Asian Paints |
| Shailesh Haribhakti | Raymond |
| Omkar Goswami | Max India |
| Berjis Desai | Edelweiss Capital |
| R C Bharghava | Fem Care |
| Kashi Memani | Chambal Fertilisers |

Some of the high-profile names to have taken up independent directorship in recent months include K V Kamath, ICICI bank chairman and Vijay Kelkar, former chairman of the 13th Finance Commission — both have joined pharmaceuticals firm Lupin.



Kelkar has also joined the board of software firm Tata Consultancy Services (TCS). Among other leading professionals to have followed the same path are Shailesh Haribhakti of BDO Haribhakti and TCS Vice-Chairman S Ramadorai.

What's changed now is that promoters have started to understand the need for greater transparency, a factor that was sorely lacking in Satyam, when it imploded last year after Ramalinga Raju confessed to overstating profits for several years. A month before that several independent directors had resigned after shareholder protests over a board-approved decision for Satyam to buy stakes in two Raju-family promoted subsidiaries.

The incidents raised serious questions about the efficacy of independent directors on corporate boards and about levels of management transparency.

"We have told independent directors everything will be exchanged with them," says Lupin Chairman Desh Bandhu Gupta. Lupin has appointed three independent directors in the last couple of months, including Kamath and Kelkar. "We are asking the independent directors whether we are going wrong anywhere," Gupta says.


Independent directors say the areas where there has been a marked improvement include risk management, compliance and strategy. So when meetings take place, there is greater emphasis on the risks associated with the company's business, budgeting and strategic planning.

The result has been improved transparency after the Satyam scandal. "Corporate governance was improving earlier, post-Satyam, it has picked up pace," says Shailesh Haribhakti.

Independent directors too have become more active in discharging their duties. "The interest of independent directors on accounting and compliance issues has increased," says Kali Prasad, partner with Ernst & Young, auditor for various companies.

He said independent directors have been asking for details from internal auditors like E&Y and also keeping strict vigil.

There have also been cases when such directors have said no to board decisions on expansion plans.



Post Satyam, independent directors have joined hands and formed a forum “Independent Director Network” which is headed by former RBI Deputy Governor Vepa Kamesam. Prasad of E&Y says the forum was set up after the Satyam scandal and its first meeting was held in December in Hyderabad.

But the trend has just begun. Experts say independent directors are still being appointed through references and, that too, only with well-known companies. “Interest of directors is not much in smaller companies and even companies will not trust a stranger,” says Prithvi Haldea, Managing Director, Prime Database.

Haldea, who helps companies identify independent directors through Primedirector.com, says companies have not been using his database much.