

# Independent directors: Sebi not to extend deadline

Ashish Aggarwal in New Delhi | December 29, 2005 12:40 IST

Securities & Exchange Board of India, the company affairs ministry and the stock exchanges have ruled out any extension to the deadline for listed companies to appoint the requisite number of independent directors on their boards.

"The deadline is December 31. I have made this very clear. Where is the question of an extension?" Sebi Chairman M Damodaran told *Business Standard* over phone.

"There is no extension of deadline," an official in the company affairs ministry said. The Bombay Stock Exchange too issued a statement saying that companies have to comply with the December 31 deadline.

While the industry chambers and private sector companies have stopped making requests for extension of the Securities and Exchange Board of India's deadline for listed companies to appoint the requisite number of independent directors on their boards, some public sector companies may not be able to comply with the directive by December 31.

"It might be too late for some of the PSUs to appoint the requisite directors on time," a senior official with the Standing Committee on Public Enterprises said.

Officials at the department of public sector enterprises refused to comment, saying they were still seized of the matter.

The new Sebi norms require that at least 50 per cent of members on the board of a company should be independent directors if the company's chairman is the executive director and at least one-third should be independent directors if the chairman is a non-executive director.

The argument that enough professionally qualified persons may not be available to take up the responsibility of independent directors has not passed muster.

Over 12,500 professionally qualified applicants have registered at [primedirectors.com](http://primedirectors.com) for taking up the position in listed companies.

At the same time, Prithvi Haldea, CEO of [primedirectors.com](http://primedirectors.com) said, "Clause 49 prescribes only entry barriers and not entry norms. So while a person should not have a material interest or be a relative, no educational qualifications are prescribed. It will take at least a couple of years before the system of independent directors starts yielding results."

The annual reports for 2005-06 are expected to have details of the independent directors appointed by the companies and give a clear picture of their quality.

Meanwhile, the Sebi, the company affairs ministry and the stock exchanges have reiterated that no extension of the deadline would be allowed.

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## No Leverage

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