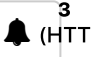




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## Business

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# ALMOST HALF THE TOP 500 LISTED COMPANIES YET TO APPLY SEBI RULE

Published On 07 Jan 2020 04:52 AM

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On the Sebi rule of splitting the roles of the chairperson and managing director, almost half the top 500 listed companies are yet to comply with. The new rule on corporate governance will be effective from April 1. It is based on the recommendations of the Uday Kotak committee.

It stipulates that the chairperson of the board should be a non-executive director. It should not be related to the CEO or managing director. The companies that don't have identifiable promoters as per the shareholding pattern do not fall under this category.

According to the information compiled by [nseinfobase.com](https://nseinfobase.com) the chairperson has an executive role in 213 companies. The chairman is also MD or CEO in 161 of them which includes Hindustan Liver, RILNSE, Coal India, ONGC, NTPC, Power Grid Corp and Bharat Petroleum Corp. The chairman is related to either the MD or CEO in 79 companies, including Bajaj Auto, Bajaj Finserv, Adani Port, UPL, Shree Cement, and Lupin.

Globally, the rule varies. Sebi's suggest that separation of powers provides a more balanced governance structure. It enables effective supervision.

Amit Tandon, Founder, and Managing Director, Institutional Investor Advisory Services stated that what is causing anxiety is making the emotional business decision of choosing the managing director and chairman from among different family members. In the UK, this split is mandatory for all practical purposes. The US has observed a gradual shift in the past decade.

Ajay Tyagi, Chairman, Sebi stated in November that companies have been provided the sufficient time to comply with the requirement. In May 2018, the regulations were notified. It will be made applicable from April 2020.

He further added that the idea was to make people understand and plan for it. However, there is severe argument around it. Ajay Tyagi suggested that it may not solve the corporate governance issues but that doesn't mean that one shall not try to solve it.

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