

Report on Board Composition Of Top 500 Companies

PREFACE

At the outset, I on behalf of Stakeholders Empowerment Services (SES) would like to thank National Stock Exchange (NSE) for giving an opportunity to present these reports on Board Composition and Board Remuneration in India. We wholeheartedly thank NSE, its team for the initiative, support and guidance, without which these Reports would not have been possible.

Board Composition

During the last few decades, the Government, the regulators, corporates and various stakeholders have initiated and put in place mechanisms to enhance the standards of Corporate Governance. In this direction, series of reforms have been implemented e.g. Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements, Regulations, 2015) ('Listing Regulations'), the Insolvency and Bankruptcy Code. Further SEBI had appointed Kotak Committee on Corporate Governance aimed to further enhance the corporate governance standards in India. All these indeed, augur well for all stakeholders of a company.

Board functions as a collective of individuals, therefore it is important for collective strength that all the elements that form the collective be individually not only capable but be willing to devote time for the task in hand. Therefore, an effective board must have aggregation of variety of skills, experience, mix of youth and old, willing to devote time and all of them must be individuals of high integrity.

The Board of Directors of a Company is the primary link between the Owners (shareholders) and Management. The Board is *inter alia* responsible for making strategies, long term plans, set operational goals, identify and mitigate risks etc and expansion. The Board has to ensure that management runs the business ethically in compliance with the law, with focus on profits so that shareholders wealth is maximized keeping a fine balance with stakeholders' interest.

There have been instances in the recent past in India where the above stated balance has been allegedly compromised which were not in the interest of the Company and the stakeholders at large. Human behaviour is undoubtedly the most complicated puzzle and extremely difficult to predict. To counter this uncertainty and increase the probability that those entrusted with responsibility would carry out the task in a professional manner and in the best interests of various stakeholders, several rules and regulations have been put in place by various law makers.

It is in this context, that this Report has been compiled to analyse the composition, the trends and patterns of NIFTY 500 Companies (except Public Sector Banks) in India considering various categories of directors viz. Promoter Executive Directors, Non-Promoter Executive Directors, Promoter Non-Executive Directors, Non-Promoter Non-Executive Directors and Independent Directors for the last three financial years (2014-15, 2015-16 and 2016-17). The Report dwells on composition of the board considering independence, gender diversity, promoter non- promoter, age, qualification, experience, time commitment of directors etc.

I express my sincere gratitude to all my colleagues in SES with special mention to Mr. Varun Krishnan, Mr. Mukesh Solanki and Mr. Rajesh Surve for their untiring efforts in compiling and analyzing voluminous data and shaping up the Report in the present form.



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PART A: BOARD COMPOSITION

EXECUTIVE SUMMARY OF THE STUDY

The Report on Board Composition analyses the data relating to the appointments, resignations and Board size of NIFTY 500 Companies as on 31st March, 2017 (referred to as ‘Sample’) for a period of 3 years viz., 2014-15, 2015-16 and 2016-17. The analysis does not include 20 Public Sector Banks (‘PSBs’) due to unavailability of adequate data.

Sample size

Category	2016-17	Percentage	2015-16	Percentage	2014-15	Percentage
MNC	43	8.96%	43	9.17%	43	9.62%
PSU	41	8.54%	41	8.74%	41	9.17%
Indian Corporates	396	82.50%	385	82.09%	363	81.21%
Total	480	100.00%	469	100.00%	447	100.00%

Key findings:

Board size:

- Resignations and appointments in Indian Corporates and MNCs hovered in the range of 0.7 to 1.28 directors per company.
- For the PSU Companies, the average resignations were fairly high at approx. 3.6 directors per Company during 2014-15 & 2015-16 (initial 2 years) when compared with that of Indian Corporates and MNCs. Further, the average number of appointments for 2015-16 & 2016-17 (last 2 years) also stood high at 4.24 & 3.29 directors per PSU respectively, indicating that major shuffle in the Board of PSUs had been caused by the change in the Govt. at the Centre during mid-2014.
- The average Board size of Indian Corporates, Foreign MNCs experienced a declining trend YoY during the past 3 years, compared to increase in the same for the Public-Sector Undertakings (‘PSUs’) Companies during the same period.
- On an overall basis, the Sample companies experienced a marginal decline in their Board size from 9.53 directors per Company in FY 2014-15 to 9.39 directors per Company in FY 2016-17.

Board Balance: The balance of the Board of Directors of the Sample Companies was analysed on various parameters:

1. Executive & Non-Executive Positions:

- Board of PSUs had comparatively large proportion of Executive Directors (42%) during FY 2016-17, compared to approx. 25% in Indian Corporates and MNCs.
- On an overall basis, 26-27% of the total Board constituted of Executive Directors in the Sample Companies during the past 3 years.
- The proportion of Independent Directors of the Sample Companies witnessed an increasing trend from 50.49% in FY 2014-15 to 51.60% in FY 2016-17.
- The proportion of Promoter ED during FY 2016-17 was higher in Indian Corporates, as compared to MNCs and PSUs, indicating Promoter dominance of the board in Indian origin Companies.
- Highest proportion of Independent Directors was observed in Indian Corporates (53.64%), followed by MNCs (45.71%). PSUs had only 37.81% of Independent Directors on their Board during FY 2016-17.

2. Board Independence

- 50 Companies (out of the Sample of 480 Companies) were found to be short of requisite number of Independent Directors as on 31st March, 2017. Out of these, 32 companies (64%) were PSUs and 17 (34%) were Indian Corporates and only 1 (2%) was a MNC.
- In the MNCs and Indian Corporate segment, 9 Companies remained non-compliant as on 30th Sept, 2017 also, while the other 9 ensured compliance with the requirement of IDs on their Board.
- Oil India did not have a single ID on its Board as on 31st March, 2017.
- Companies such as Karnataka Bank, Eicher Motors and Unichem laboratories had the highest number of IDs.

3. Tenure/ Association of Directors

❖ Independent Directors

- On the association of Independent Directors, 26% for Indian Corporates and 36% for MNCs, IDs were associated with the respective Companies for more than 10 years, as on 31st March, 2017. For the PSUs, this percentage was insignificant at 3%, indicating the IDs in PSUs remain on the Board for relatively shorter period.

- On an overall basis, out of 2,326 IDs in the Sample, 574 IDs comprising almost 25% were found to have been associated with the Company for more than 10 years. If the relevant regulations on tenure of IDs were to be implemented in their true spirit, around 25% of IDs would be found breaching the permissible tenure limit.
- Mr. Pradip Kumar Daga and Mr. Rajendra Ambalal Shah, presently IDs in few sample companies, were observed to be associated with 1 and 2 Companies, respectively, for more than 50 years as on 31st March, 2017.

❖ **Executive Directors**

- In the Executive Directors space, Mr. P. R. Ramasubrahmaneya Rajha, has been associated with The Ramco Cement for 59 years, as on 31st March, 2017. His present age is 82 years, indicating that he joined the Company at an age of 23 years.
- The average age of top 10 eldest Promoter EDs on their appointment was 26.10 years and the youngest appointee was Mr. Raghupati Singhania at the age of 21 years only.
- In the Non-Promoter ED segment, the average age at the time of appointment of these Non-Promoter EDs was about 40 years, which is about 14 years more than the comparable sample of promoter EDs.
- The average age at appointment of the top 10 youngest Promoter EDs was 24.2 years against average age of 26.1 at the time of appointment of longest serving EDs.
- Mr. Varun Jaipuria who was appointed at the age of 21 years is the youngest promoter ED at the time of appointment.
- Further, Ms. Nikita Bansal of Century Plyboards Ltd, Ms. Nandamuri Brahmani of Heritage Foods and Mrs. Viral Saraf Mittal of Vinati Organics Ltd, women Promoter EDs are in the list of top 10 Youngest Promoter EDs.
- On the Non-Promoter ED front, the average age at the time of appointment of the top 10 youngest directors is 36 years, whereas for Promoter EDs it was observed to be 24.2 years. This clearly shows that there is difference of about 12 years between the age at initial appointment of promoter and non-promoter ED.

- Youngest Non-Promoter ED at the time of appointment is Mr. Gagan Banga (Indiabulls Housing Finance Ltd) and Mr. Noronha (Avenue Supermarts Ltd) at 30 years.

❖ **Non-Executive Directors**

- Mr. Basant Kumar Birla of Kesoram Industries led the table with longest association with a Company, with an association of staggering 77 years. His present age is 96, indicating that he joined the Company as an 19 years old ‘teenager’.
- The average age at the time of appointment of the top 10 longest associated NEDs was 30 years.

4. Promoter and Non-Promoter Directors

- Between the range of 0 to 75% of Promoter shareholding in a Company, the proportion of Promoter Directors on the Board increases with an increase in the Promoter shareholding. However, Companies having more than 75% of Promoter shareholding have witnessed comparatively lower number of Promoter Directors on their Board.
- On the basis of Market Capitalisation, the proportion of Promoter Directors in Companies having market capitalisation up to ₹ 1 lac crores has remained almost constant in narrow range 27.5%. Companies having market cap of over ₹ 1 lac crores have lesser number of Promoter Directors as this category also includes most of the large ‘Professionally managed Companies’, viz. ITC Ltd., Larsen & Toubro Ltd HDFC Bank Ltd., ICICI Bank, which do not have any identified promoter(s).
- Top 10 Companies with maximum Promoter Directors on the Board include, 4 MNCs and other 6 Indian Corporates. This list is led by 3M India and Interglobe Aviation, with 66.67% Promoter Directors on their Board.
- Similarly, top 10 Companies with minimum Promoter Directors on the Board include, 2 MNCs and 7 Indian Corporates and 1 PSU. Ashok Leyland Ltd, JSW Steel Ltd and Indiabulls Housing Finance Ltd, leading the list with only 8.33% of Promoter Director on their Board.
- Both the List (maximum and minimum number and % of promoter directors) contain names of companies which are fairly successful in their respective field. Therefore, it is difficult to conclude what impact number of Promoter Directors make on the performance of the Company.

- In the Executive Director segment, Muthoot Finance Ltd has maximum number of Promoter EDs on its Board, i.e., 5 out of 10 directors. All the Companies featuring in the top 10 list of maximum Promoter EDs are Indian Corporates.
- Similarly, Bhushan Steel Ltd has minimum number of Promoter EDs on their Board (1 out of 17 Directors) as on 31st March, 2017. The top 10 list of minimum Promoter ED include 8 Indian Corporates and 1 MNC and PSU.
- In the Non-Executive Promoter Director space, Mphasis Ltd has maximum number of Promoter NEDs on its Board, i.e., 5 out of 9 directors. The top 10 list of maximum Promoter NEDs include 4 Indian Corporates, 4 MNCs and 2 PSUs.
- Similarly, Bhushan Steel Ltd has minimum number of Promoter NEDs on their Board (1 out of 17 Directors) as on 31st March, 2017. The top 10 list of minimum Promoter NEDs include 9 Indian Corporates and 1 PSU.

5. Chairman & Managing Director (CMD) and Chairman of the Board:

- In the three-year period under review, number of CMD positions have increased marginally from 142 to 144, on the other hand, Chairman of the Company (not also the Managing Director) has increased from 296 to 326.
- In the CMD segment, majority, 110 out of 144 were Promoter Directors while, the remaining 34 were Non-Promoter CMDs as on 31st March, 2017.
- In the Chairman of the Company (not also the Managing Director) segment, 200 out of 326 were Promoter Directors with 70 EDPs and 130 NEDPs indicating almost 2 in 3 were Promoter Chairmen, as on 31st March, 2017.
- On ownership basis, PSUs had maximum number of CMDs on their Board (approx. 73-75%) during the last 3 years. The same percentage was around 29-30% for Indian Corporates and 6-9% for MNCs.

6. Gender Diversity:

- In the Sample companies, the average number of women directors has increased from 11.54% to 13.00% of the total board strength in the past 3 years.

- Significant improvement was observed in the PSUs where the percentage of women directors on the Board has improved from 8.38% in FY 2014-15 to 12.81% FY 2016-17. MNCs have the highest percentage of women directors at 13.81%, as on 31st March, 2017.
- On an industry basis, except for Metals and Pharma, all other industries have witnessed an increase in the percentage of women directors on the Board of the Company during FY 2016-17. IT and Services industry has almost 15% of women directors on their Board during FY 2016-17, whereas Metals, Energy and Automobiles has only 10.70%, 11.80% and 11.80% of women directors on their Board.
- within directors category, highest % of women directors is observed in Independent Director segment at 15.27%, followed by NED NID at 14.44% and 7.39% in the ED Category as on 31st March, 2017. .
- The average women directorship per Company remained at 1.10 for FY 2014-15 & 2015-16, while the same increased to 1.22 women director per Company during FY 2016-17.
- On the basis of Promoter versus Non-Promoter Comparison, it is observed that while increase across three-year period in number of promoter women director was only 19 (from 142 promoter women directors in 2014-15 to 161 in 2016-17), the increase in non-promoter women director category was seen at 74, (from 350 non- promoter women directors in 2014-15 to 424 in 2016-17).

7. Expertise and Educational Background:

- Majority of directors in the Sample Companies are having expertise in Banking and Finance field, followed by Management. As per the data, expertise in Audit & Taxation had least number of directors during FY 2016-17.
- In terms of educational qualifications, majority of directors are Graduates and equivalents.
- PSUs have the highest proportion of Graduates, while Foreign MNCs have highest percentage of Directors who are Doctorates, Professionals or hold master's degrees.
- Out of total 4,282 directors, only 0.89% (38) do not have graduate degree, while 60.25 % (2,580) have a graduate and equivalent degree, rest 38.84%

(1,663) are either post graduate, professionally qualified or even have multiple professional qualification.

- 46.53% of directors in Foreign MNC are Doctorates, Professionals or holding master's degree. Proportion of such directors in the PSUs and Indian Corporates categories is around 37-38%.

8. Age of Directors

- Overall in the Sample, average age of male directors is 57.87 years, whereas average age of women directors is 52.90, with a clear gap of around 5 years.
- The gap between the age of male and female director in the nominee directors segment is only 2 years, which is the least in all categories.
- Average age of Independent Directors (male) being above 60 indicates that being an ID in the Board of a Company is most likely to be a 'Post retirement job'.
- Across all categories, women Promoter Executive Directors are the youngest.
- On an ownership basis, there is almost a 7 years gap between the average age of male and female directors in the Indian Corporates, compared to less than 1.5 years in the PSU category and almost 4 years in MNCs.
- In 10 youngest directors of Sample companies, there are 4 women directors. Mr. Ruchir Kumar Modi of Godfrey Phillips India Ltd, tops the list with only 23 years as on 31st March, 2017.
- Similarly, Mr. Basant Kumar Birla at 96 years, is the senior most director amongst the Sample Companies.
- Top 10 eldest directors are directors in 16 Companies. Mr. Brij Mohan Khaitan who is 90 years of age, holds Non-Executive Directorship (including as ID in CESC) in 3 Listed Companies.
- 12 out of the 16 directorships (as stated above) is Independent. It can be said that companies not only continue with old and seasoned promoter directors but continue with old and seasoned IDs as well.
- Housing Development Finance Corporation Ltd leads the list with maximum average age of its board at 74 years, followed closely by Supreme Industries at 73.80, as on 31st March, 2017.

- Similarly, Hathway Cable & Datacom Ltd leads the list of top 10 youngest Board with an average Board age of 45.56 years, closely followed by Sadbhav Engineering Ltd, at 45.60 years as on 31st March, 2017.
- The data clearly indicates that age has no meaning as in the oldest club, one can see HDFC and in youngest club one can see Avenue Supermarkets, both of whom have performed exceedingly well and generated returns for investors.

9. Time Commitment of Directors

- In total there are 3,597 unique individuals occupying 4,508 directors position in the Sample companies.
- Only 171 (4.75%) of individuals have 5 or more listed company directorships. A major chunk i.e. 3,016 (85%) directors have 2 or less number of directorships.
- Most of the persons occupying 5 or more listed directorships are IDs and are above 60 years of age.
- Mr. Rajendra Ambalal Shah and Mr. Pradip Kumar Khaitan lead the list with maximum number of Listed Directorship during FY 2016-17, at 10 and 9 respectively.
- On the Company front, at an average of 12.50 directorships per Director, The Ramco Cements led the list of Companies whose directors have maximum total directorship during FY 2016-17.
- Similarly, in the Listed Company space, Bajaj Finserv Ltd, led the list of Companies whose directors have maximum Listed directorship at 5.38 Listed Directorship as an average. All such 10 companies are Indian Corporates out of which 4 are Bajaj Group companies.
- In the minimum average directorship list, Hindustan Copper Ltd topped the list with least number of directorship for its directors at 1.27 Companies.

Similarly, in the Listed Company space, more than 10 Companies that had an average Listed Company directorships of their directors at 1, meaning that their Directors held directorship in that Company only.

INTRODUCTION

The Board of a Company is the primary link between Owners (shareholders) and Management. Its key responsibilities are to provide guidance, frame policies, business development (growth and expansion) and to ensure that management

runs the business ethically in compliance with the law, with focus on profits so that shareholders wealth is maximised keeping a fine balance with stakeholders' interest. They are appointed by the owners of the Company who are referred to as the shareholders. Therefore, they have a fiduciary duty towards shareholders. At times goal of profit maximization may be in direct conflict with interest of other stakeholders or may not be in compliance with the law or may not pass the strict test of ethical standards, at such times the company needs leadership which can take independent decision without (i) fear of any adverse consequence and (ii) favour to any person or person(s). Human behaviour is undoubtedly the most complicated puzzle and extremely difficult to predict. To counter this uncertainty and increase the probability that those entrusted with responsibility would carry out the task in a professional manner and in the best interests of various stakeholders, several rules and regulations have been put in place by various law makers.

These rules and regulation inter alia, relate to composition of Board of Directors, qualification of its members, their tenure and classification. Since, certain directors of the company may also be shareholders in the company, therefore, it is important to clearly set a demarcation between the roles and responsibilities of the Director, in order to avoid any potential conflict of interest issue.

In the last few decades, India has paid considerable attention to enhancing the standards of Corporate Governance and series of reforms have been initiated and put in place e.g. Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements, Regulations, 2015) ('Listing Regulations'), the Insolvency and Bankruptcy Code and appointment of Kotak Committee on Corporate Governance. This Report intends to throw some light on the Board Compositions and the trend and pattern of some listed companies in India.

SCOPE OF THE REPORT AND THE SAMPLE

This Report inter-alia compiles data and analyses trends and patterns amongst NIFTY 500 Companies as on 31st March, 2017, based on data for 3 years i.e., FY 2016-17, 2015-16 & FY 2014-15 with 31st March of the respective year as the cut-off date. The Companies have been segregated into 3 baskets on year end basis. Companies having different fiscal year have also been included in the baskets having immediate subsequent cut-off date. For Instance, Company having fiscal year end of June, 2016 has been included in the FY 2016-17 basket.

NIFTY 500 companies as on 31st March 2017, includes 20 Public Sector Banks ('PSBs') which, for the purpose of this Report have been excluded

(Refer Annexure I). Since, 90% of these PSBs are not ‘Company’ as per the definition under the Companies Act, 2013, therefore, the provisions of Companies Act, 2013 do not apply to such PSBs. While analysis could have been done including these PSBs, however non-availability of the Director Identification Number (‘DIN’) of a large number of directors of PSBs posed a challenge. Consequently, due to non-availability of DIN in public domain, getting authentic data was quite difficult and it was virtually impossible to track information relating to change in directorship etc in these PSBs. Therefore, in order to have undistorted data, all entities from the PSB basket have been excluded from the scope of the Report.

Further, Companies whose securities have been listed for trading on Stock Exchanges post the respective cut-off dates, have been included in the subsequent financial year basket only. This is mainly due to the lack of information of the respective Companies prior to their listing.

Therefore, the scope of the Report is limited to 480 Companies, 469 Companies, 447 Companies for FY 2016-17, FY 2015-16 and FY 2014-15, respectively, which we have referred to as ‘Sample’ throughout this Report. The difference in sample size is on account of new listing in last three years either due to IPO or OFS or restructuring.

The sample distribution based broadly on ownership basis is as given in the Table 1. Companies predominantly owned by either the Central Govt. or the State Govt. or both have been categorised as ‘PSU’. Companies operating in Multiple Nations and having their headquarters outside India have been referred to as ‘MNCs’ or ‘Foreign MNCs’. Remaining Companies incorporated in India and operating from India have been categorised as ‘Indian Corporates’.

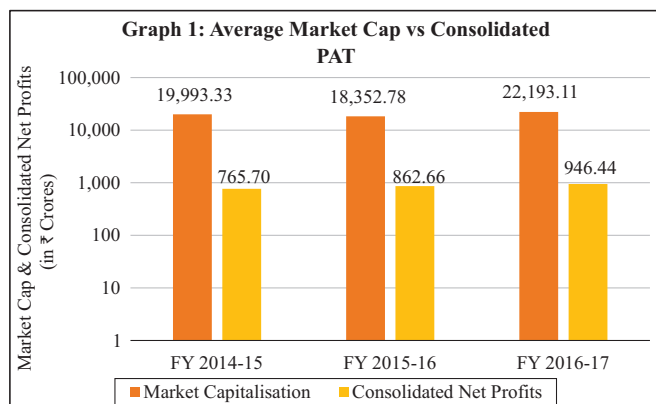
Table 1						
Category	2016-17	Percentage	2015-16	Percentage	2014-15	Percentage
MNC	43	8.96%	43	9.17%	43	9.62%
PSU	41	8.54%	41	8.74%	41	9.17%
Indian Corporates	396	82.50%	385	82.09%	363	81.21%
Total	480	100.00%	469	100.00%	447	100.00%

The sample has a market cap of ₹ 106.53 lacs Crores as on 31st March, 2017, representing almost 90% of total market cap of ₹ 119.30 lacs Crores of all listed companies on NSE as on the same date. Based on market capitalisation, it can be said that the sample is a representative sample.

A broad indication of the Market Cap and consolidated Net Profits of sample is given in Table 2

Table 2			
(in ₹ Crores)	FY 2014-15	FY 2015-16	FY 2016-17
Market Capitalisation	88,17,059	83,87,219	106,52,695
Consolidated Net Profits	3,37,674	3,94,237	4,54,291
Number of Companies*	441	457	480

**For FY 2014-15 while market cap data was available only for 441 companies, directors' data was available for 447 companies & for FY 2015-16 while market cap data was available only for 457 companies, directors' data was available for 469 companies. Therefore, in table data in respect of few companies has not been captured.*



As the number of Companies in the Table 1 for the 3 financial years are not same, therefore, in order to make a comparative study, average market capitalisation and average consolidated Net Profits have been calculated and

considered as benchmark.

While, the average Consolidated Net Profits of the NIFTY 500 Companies grew steadily from ₹ 765.70 crores in FY 2014-15 to ₹ 862.66 crores in FY 2015-16, the average market capitalisation of the Sample fell by ₹ 1,641 crores during FY 2014-15 & 2015-16.

As it is felt that it is the Board that drives a company, it may also be vital to study major trends and patterns of the Board composition of the Sample Companies.

Directorship in Sample Companies:

Optimum combination of Executive & Non-Executive directors plays a crucial role in maintaining an appropriate Board balance. Table 3, indicates the number of Executive Directors (hereinafter referred to as 'ED'), Non-Executive Non-

Independent Directors (hereinafter referred to as ‘NED’) and Non-Executive Independent Directors (hereinafter referred to as ‘ID’) for the respective financial year. Fresh appointments in the respective category along with the resignations have been captured in the Table 3. Continuing category indicates the directors were already there on the Board since the beginning of the financial year. Resignation includes retirement.

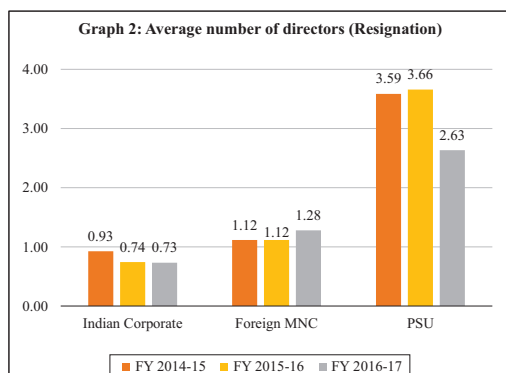
Overall, in our sample companies, as at end of year 2016-17, there were total 4,508 directors across all categories, with varying board size, the lowest being 4 directors and highest being 20 directors on a Board.

Table 3												
Categories	FY 2014-15				FY 2015-16				FY 2016-17			
	O	R	A	C	O	R	A	C	O	R	A	C
Companies	447				469				480			
IDs	2,204	283	231	2,152	2,229	185	219	2,263	2,256	157	227	2,326
NEDs	1,001	144	104	961	1,050	179	130	1,001	1,029	189	151	991
EDs	1,198	106	57	1,149	1,171	120	111	1,162	1,175	107	123	1,191
Total	4,403	533	392	4,262	4,450	484	460	4,426	4,460	453	501	4,508

O-Beginning of Year, R-Resignation during the Year, A-Fresh Appointments during the Year, C-Year End position.

Resignation Analysis:

FY 2014-15 witnessed most number of resignations i.e. 533 resignations followed by 2015-16 (484 resignations) whereas there were 453 resignations in FY 2016-17.

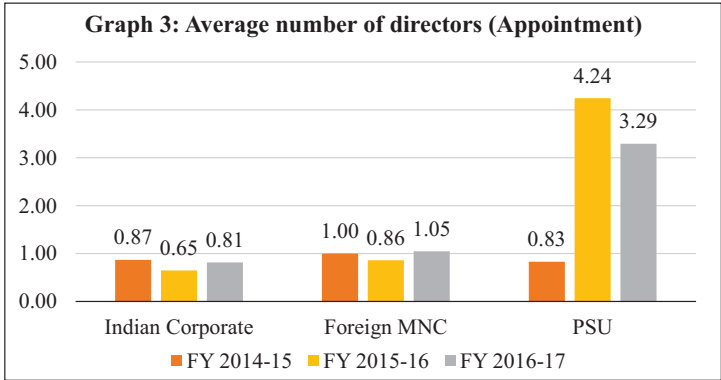


This change was majorly led by 336 resignations during FY 2014-15 in Companies (excluding MNCs and PSUs) with an average resignation per Company standing at almost 0.93 for FY 2014-15. Further, in terms of average, PSUs Companies witnessed highest number of resignations during 2014-15 & 2015-16. It appears to be case where changes in the Board

of Directors have taken place due to change in govt. at the Centre in mid-2014.

MNCs had an average resignation rate of around 1 during FY 2014-15 & 2015-16, which during FY 2016-17 rose to 1.28. Since, majority of the MNCs have different financial year than March 31 ending, therefore, the resignations during their fiscal year have been considered in the basket relating to the immediate subsequent financial year (as already discussed above). No pattern or meaningful information could be gathered from the information related to resignations of directors, as in most of the cases the reasons mentioned for resignation were generic e.g. personal reason, time commitment etc. However, few resignations were on account of limit on number of directorships imposed by new regulations/ law.

Appointment Analysis:



The appointment pattern across Indian Corporates and Foreign MNCs have remained more or less stable during the past 3 FYs. Financial year 2014 - 15 witnessed 315

fresh appointments in Indian Corporates translating into 0.87 average appointment per Company. on the other hand, year 2015-16 & 2016-17, had comparatively higher number of appointments in the PSUs category. This appears to be mainly due to filing the vacancies caused by higher resignations post change of Government at the Centre leading to increased appointments.

BOARD SIZE

It is universally accepted that Board of Directors of a Company must comprise of an optimum size that must be commensurate with the size and operations of the Company. A Company must make sure that it has directors having relevant and adequate expertise and experience in the respective fields which can be of use to the Company, at the same time keeping in mind that too many directors on the Board may lead to a situation where “too many cooks, spoil the broth” becomes a reality. However, what is the best size of the board is very difficult to say as one cannot attribute success or failure of any company or difference between performance of companies based on board size alone.

The Table 4, gives data across three years on number of directors and average number of directors.

Table 4: Average Number of Directors			
Year	Number of Companies	Total Directors	Average
2014-15	447	4,262	9.53
2015-16	469	4,426	9.44
2016-17	480	4,508	9.39

There were on an average 9.39 Directors on the Board of all NIFTY 500 Companies as on 31st March, 2017, average of 9.44 directors for FY 2015-16 and 9.53 directors for FY 2014-15. The average Board size of the NIFTY 500 Companies is reducing marginally YoY. This appears to be a case of moving towards stabilisation, where Companies are now settling down with their refurbished board combination post implementation of the Companies Act, 2013 ('the Act') and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR'), which caused fundamental changes in the Board composition of the Listed Companies, including mandatory induction of a woman director, restriction on tenure of Independent Director, definition of independent directors, introduction of resident director, stipulation that nominee director to be non-independent etc. Or could this also be a case where some directors quit the Board due to perceived increased responsibilities and liability under new law?

This being subjective issue and non-disclosure / availability of detailed reasons, a conclusion cannot be drawn. Similarly, what is optimum size of a Board remains an open issue as the following Tables 5 & 6 details companies with highest number and lowest number of directors and one can notice that it contains both leaders and laggards in each table. However, there is one difference as large cap are missing from Table 6 showing small size boards. Therefore, can one conclude that size of the Board is immaterial of large size is must as far as performance is concerned?

Surely not, as such a conclusion will be hasty and incorrect as it is just one of the factor along with many more factors which determine performance of a company.

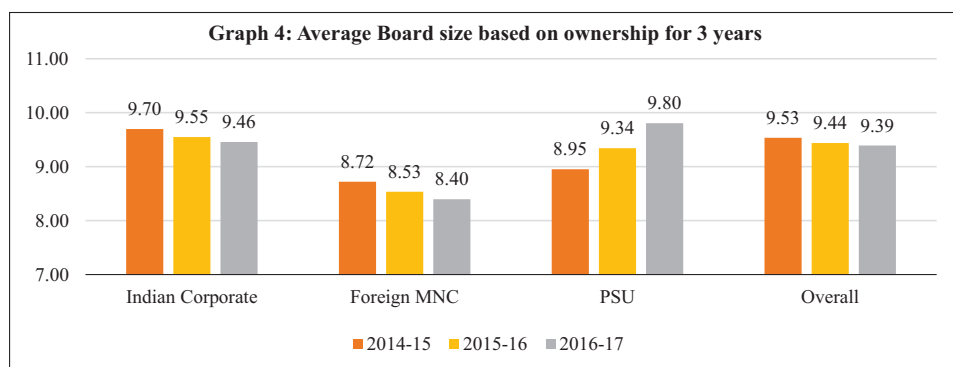
Table 5: Maximum Number of Directors on the Board		
S. No	Company Name	No. of Directors
1	Larsen & Toubro Ltd	20
2	Jaiprakash Associates Ltd	18
3	Jaiprakash Power Ventures Ltd	18

Table 6: Least Number of Directors on the Board		
S. No	Company Name	No. of Directors
1	Trident Ltd	4
2	CARE Ratings Limited	5
3	Essel Propack Ltd	5

4	Jagran Prakashan Ltd	18
5	Bhushan Steel Ltd	17
6	Aarti Industries Ltd	16
7	Emami Ltd	16
8	Century Plyboards (India) Ltd	16
9	Oil & Natural Gas Corp. Ltd	16
10	Axis Bank Ltd	15

4	Ingersoll-Rand (India) Ltd	5
5	Jubilant Life Sciences Ltd	5
6	Rajesh Exports Ltd	5
7	BF Utilities Ltd	5
8	Minda Industries Ltd	5
9	Zee Learn Ltd	5
10	Adani Transmission Ltd.	5

Impact on Board size: Impact of the above resignations and appointments could be observed in the Board size in the Graph 4. While, we can observe a decreasing trend of Board size in Indian Corporates and MNCs, however, the number of directors on the Board of PSU show an increasing trend. A broad categorisation of the Board size based on the ownership is given in the Graph 4:



The PSUs are not following the pattern of MNCs and Indian Corporates, these companies appeared to have undergone major shuffle in their Board with the highest number of appointments and resignations during the 3 financial years under review. Table 7 indicates net accretion/ deduction in board size:

Table 7									
Year	MNC			PSU			Indian Corporates		
	R	A	AC	R	A	AC	R	A	AC
2014-15	1.12	1.00	-0.12	3.59	0.83	-2.76	0.93	0.87	-0.06
2015-16	1.12	0.86	-0.26	3.66	4.24	0.59	0.74	0.65	-0.10
2016-17	1.28	1.05	-0.23	2.63	3.29	0.66	0.73	0.81	0.08

R - Resignation, A - Appointment, AC - Net Accretion

The MNC Board size is shrinking continuously over last three years. PSU are yet to come back to their previous level and Indian Corporates after two years decline saw a marginal increase in 2016-17. In case of MNCs, Mphasis Limited and GE T&D India Limited share 11 resignations between them during the year 2014-15. Further, number of directors on board of Merck Limited declined the most, having truncated its board size to half. It had 12 directors on the Board as on 31st Dec, 2014, which reduced to 8 directors as on 31st Dec, 2015 and subsequently to 6 as on 31st Dec, 2016.

BOARD BALANCE

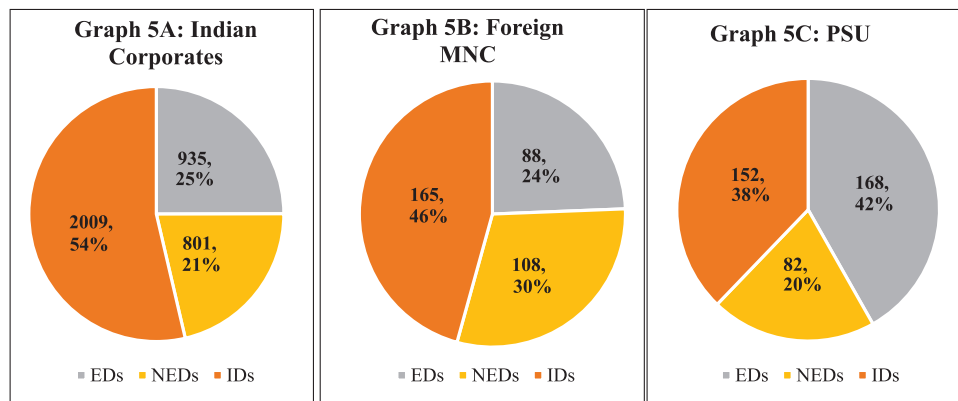
It is not only important to have an optimum Board size, it is also important to strike a balance between different category of board members within a Board. While it is difficult to say what could be an optimum composition of the Board, it can be safely said that a board with diversified experience, a mixture of youth and old with gender diversity is likely to be more effective given the role and expectation that the stakeholders have from the Board. Optimum combination of the Board must be ensured by the Companies which must inter-alia consider the following parameters:

- Executive & Non-Executive Position,
- Board Independence,
- Tenure/ Association of Directors,
- Promoter and Non-Promoter Directors,
- Chairman & Managing Director,
- Gender Diversity,
- Expertise and Educational background,
- Age,
- Time Commitments of Directors (Number of directorships).

Executive & Non-Executive Position:

In terms of Executive Directorships, Foreign MNCs and Indian Corporates share almost similar numbers of Board percentage at about 25% as indicated in the Graph 5. However, in case of PSUs, 42% of the Board of Directors comprise of Executive Directors. It is generally observed that PSUs induct their 'Vertical Heads' on the Board. For instance, as per Annual Report of ONGC for FY 2016-17, they had 7

EDs including Director (Finance), Director (HR), Director each for onshore and offshore activities of the Company, and so on. Such practice is generally observed in majority of PSUs as they induct the heads of various departments on their Board. Graph(s) 5:



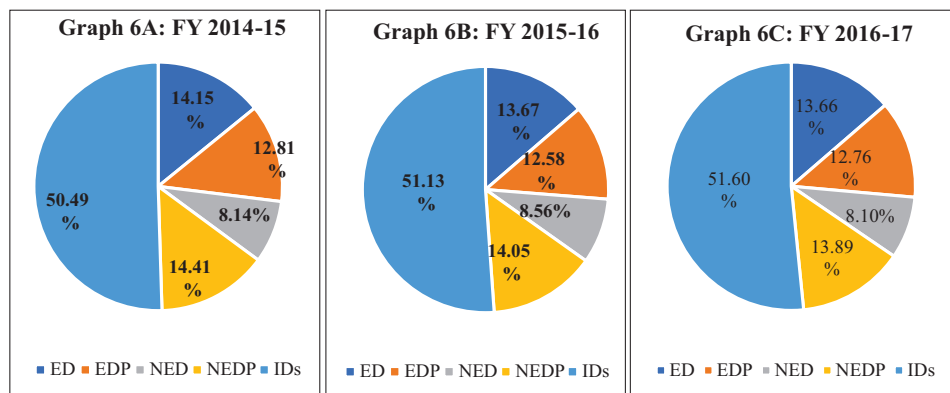
Composition of the Board of Directors of the Sample Companies along with the Nature of Directorships during three financial years is given in below:

Table 8						
Nature of Directorship	FY 2014-15		FY 2015-16		FY 2016-17	
	Number	Percentage	Number	Percentage	Number	Percentage
ED	603	14.15%	605	13.67%	616	13.66%
EDP	546	12.81%	557	12.58%	575	12.76%
NED	347	8.14%	379	8.56%	365	8.10%
NEDP	614	14.41%	622	14.05%	626	13.89%
ID	2,152	50.49%	2,263	51.13%	2,326	51.60%
Total	4,262	100.00%	4,426	100.00%	4,508	100.00%

ED – Non-Promoter Executive Director; EDP – Promoter Executive Director; NED – Non-Executive Non-Independent Director; NEDP -Promoter Non-Executive Non-Independent Director; ID – Independent Director.

From the above, it is seen that across the three-year period Promoters EDs have remained around 12.8% of the Board size, while marginal decrease is noticed in number of Non-Promoter EDs from 14.15% in 2014-15 to 13.66% in 2016-17. Total Promoter directors (EDs and NEDs) have also seen a marginal drop from 27.22% in 2014-15 to 26.64% in 2016-17. Indicating that about 25%+ of the Board of all companies are filled with Promoter Directors. Independent Directors have increased marginally by 1.11%, from 50.49% in 2014-15 to 51.60% in 2016-17, probably due to SEBI mandate of 50% IDs in companies having Promoter or Executive Chairman.

Board percentage distribution YoY of the Table 8 is indicated in a pie-chart (Graph(s) 6):



The data for 2016-17 was further examined to find if the pattern is any different based on ownership. Table 9 shows bifurcation of various type of directors in MNCs, PSUs and Indian Corporates for 2016-17.

Nature of Directorship	Indian Corporate	Percentage	MNC	Percentage	PSU	Percentage
ED	385	10.28%	71	19.67%	160	39.80%
EDP	550	14.69%	17	4.71%	8	1.99%
NED	321	8.57%	38	10.53%	6	1.49%
NEDP	480	12.82%	70	19.39%	76	18.91%
ID	2,009	53.64%	165	45.71%	152	37.81%
Total	3,745	100.00%	361	100.00%	402	100.00%

ED – Executive Director; EDP – Promoter Executive Director; NED – Non-Executive Non-Independent Director; NEDP -Promoter Non-Executive Non-Independent Director; ID – Independent Director.

It can be seen that while in MNCs most of the EDs are Non-Promoters, however, in case of Indian Corporates, Promoter EDs are quite large in number. Promoter EDs (14.69%) in Indian Corporates are about 40% more than Non-Promoter EDs (10.28%). Whereas in MNCs Non-Promoter EDs at 19.67% are almost 4.5 times more than Promoter EDs. Indicating that in MNCs most of the EDS are professionals. As regards PSUs, as observed earlier most of the EDs are Non-Promoters. Both in MNCs and Indian Corporates, number of Promoter NEDs is

much higher than Non-Promoter NEDs, which is on expected lines as these are Non-Independent Director NEDs. However, in MNCs the ratio between Promoter NED and Non-Promoter NED is almost 2:1, whereas, in case of Indian Corporates the ratio is less at 1.5:1.

How the average Board size distribution in terms of number of directors has moved over the years is given below:

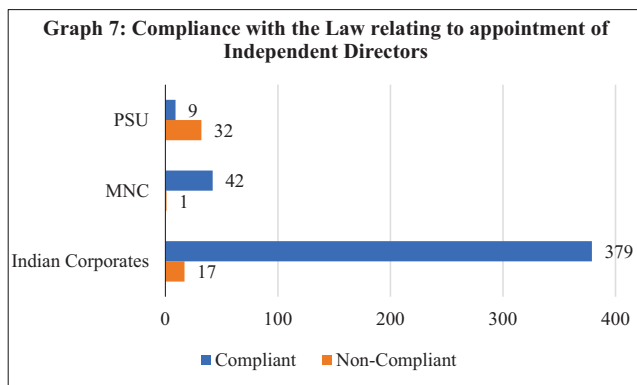
Table 10			
Nature of Directorship	FY 2014-15	FY 2015-16	FY 2016-17
ED	1.35	1.29	1.28
EDP	1.22	1.19	1.20
NED	0.78	0.81	0.76
NEDP	1.37	1.33	1.30
IDs	4.81	4.83	4.85
Total	9.53	9.44	9.39

ED – Executive Director; EDP – Promoter Executive Director; NED – Non-Executive Non-Independent Director; NEDP –Promoter Non-Executive Non-Independent Director; ID – Independent Director.

While the average number of EDs and NEDPs have witnessed a downward trend, the proportion of Independent Directors is increasing steadily albeit in a very small number. Major portion of decline in average ED and NED NID has resulted in overall decline in board size. In three year period, the average board size fell by 0.14 per board, while increase in IDs was 0.04 director/ board. This together resulted in reduction of EDs and NED-NIDs by 0.18 director/ board.

Board Independence:

The Board of a Company must comprise of optimum number of Independent Directors so that the decisions of the Board are free of any conflict of interest. The law requires that at least 50% of the Board must consists of Independent Directors if the Chairman of the Company is an ED or is related to Promoters. However, if the Chairman of the Board is a Non-Executive Non-Promoter Director, then, the Company must ensure that 1/3rd of the Board comprises of IDs. During FY 2016-17, there have been instances where certain Companies have failed to maintain adequate percentage of Independent Directors on their Board.



In light of the above, it may be pertinent to observe the data on Independence of Board between MNCs, PSUs, and Indian Corporates. 54% of Directors on the Board of Indian Corporates are Independent Directors, while the same proportion

stands at 46% for Foreign MNCs as indicated in Pie chart under Graph 5B. Since, Indian Corporates are majorly Promoter Driven Companies, where promoter director chairs the Board also, therefore, such companies require 50% of IDs in such cases. Similar is the case with PSUs also, which are mostly headed by an Executive Chairman. One may note that only 38% of the directors in PSUs are independent. This is despite the fact that majority of the PSUs have a clubbed position for its Chairman and Managing Director, which requires at least 50% of Independent Directors on the Board. Baring few, all the PSUs have remained non-compliant with the regulation relating to the requirement of Independent Directors on the Board during the past 3 years.

While, the onus of appointing the IDs on the Board lies with the respective Ministry concerning the PSU, the lack of requisite number of Independent Directors on PSU Board is not only a poor Corporate Governance practice, but also a major compliance issue. Graph 7, gives breakup across three categories (PSU, MNC & Indian Corporates) on Compliant/ Non-Compliant companies with respect to independence of board.

It is seen that out of total 480 companies in the Sample, in 2016-17, total 50 companies were non-compliant indicating about 10.42% companies were short of the stipulated ID requirement as on 31st March, 2017. While the law provides time period of 3 months or subsequent Board meeting, whichever is later, therefore, while the board may be short of stipulated independent Directors, it may not be a violation under the law.

Major non-compliance was observed in case of PSUs, which had about 64% of non-compliant companies numbering 32. Within PSU space, out of 41 companies, 32 (78%) were non-compliant. Only 1 MNC was an ID short as on 31st March,

2017, whereas the same number for Indian Corporates was 17. Table 11, List out MNCs and Indian Corporates who were non-compliant:

Table 11: List of MNC and Indian Corporates who were non-compliant					
S. No.	Company Name	Chairman	Indian Corporates / MNC	Percentage as on 31 st March, 2017	Present Status as on 30 th Sept, 2017*
1	Tata Communications Ltd	ID	Indian Corporate	22%	Not Compliant
2	Petronet LNG Ltd	NEDP	Indian Corporate	23%	Not Compliant
3	Laurus Labs Ltd	ID	Indian Corporate	30%	Compliant
4	Hindustan Zinc Ltd	NEDP	Indian Corporate	38%	Not Compliant
5	IFB Industries Ltd	EDP	Indian Corporate	38%	Non-Compliant
6	PTC India Financial Services Ltd	NEDP	Indian Corporate	38%	Non-Compliant
7	PTC India Ltd	MDED	Indian Corporate	40%	Non-Compliant
8	Jindal Steel & Power Ltd	EDP	Indian Corporate	42%	Compliant
9	Vedanta Ltd	ED	MNC	43%	Compliant
10	CG Power and Industrial Solutions Ltd	NEDP	Indian Corporate	44%	Compliant
11	Escorts Ltd.	MD	Indian Corporate	44%	Compliant
12	Tata Motors Ltd.	NEDP	Indian Corporate	44%	Compliant
13	Gujarat Narmada Valley Fertilizers & Chemicals Ltd	NEDP	Indian Corporate	44%	Non-Compliant
14	GRUH Finance Ltd	NEDP	Indian Corporate	44%	Compliant
15	JBF Industries Ltd	EDP	Indian Corporate	44%	Non-Compliant
16	PNB Housing Finance Limited	NEDP	Indian Corporate	44%	Compliant
17	Bombay Rayon Fashions Ltd	NEDP	Indian Corporate	45%	Non-Compliant
18	Bajaj Auto Ltd	EDP	Indian Corporate	47%	Compliant

As averages do not reveal extreme data points, and can easily hide non-compliance under its fold, Table 12 gives list of companies (10 from bottom) which are non-compliant with respect to independence of the board as they have the least proportion of IDs on their Board. Not surprisingly almost all are PSUs, barring two, Tata Communication and Perronet LNG. Even these two are non-compliant due to their association with government.

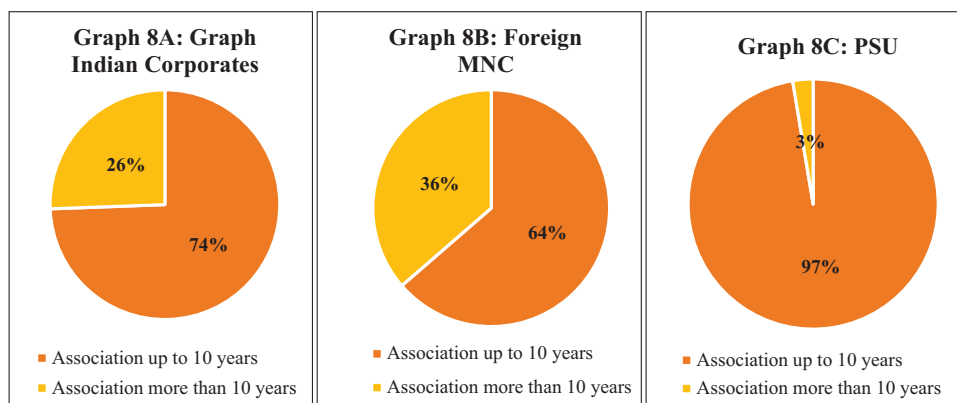
Table 12: Board Independence Compliance						
S. No.	Company Name	Chairman	Indian Corporates / PSU	Board Independence Percentage	Statutory Requirement	Compliant Status as on 31 st March, 2017
1	Oil India Ltd	CMD	PSU	0%	50%	ID less than required
2	Mangalore Refinery and Petrochemicals	Promoter NED	PSU	13%	50%	ID less than required
3	Balmer Lawrie & Company Ltd	CMD	PSU	14%	50%	ID less than required
4	ITI Ltd	ED	PSU	17%	50%	ID less than required
5	Power Finance Corporation Ltd	No Chairman	PSU	17%	50%	ID less than required
6	Indian Oil Corporation Ltd.	ED	PSU	20%	50%	ID less than required
7	Chennai Petroleum Corporation Ltd	Promoter NED	PSU	22%	50%	ID less than required
8	Tata Communications Ltd	ID	Indian Corporate	22%	33%	ID less than required
9	Petronet LNG Ltd	Promoter NED	Indian Corporate	23%	50%	ID less than required
10	NTPC Ltd	CMD	PSU	25%	50%	ID less than required

Table 13, gives list of companies which have highest percentage of independent Directors on their Board. All of the companies belong to Indian Corporates category. Karnataka Bank Ltd. has a board which has 88% of IDs, followed by Eicher & Unichem Laboratories which has 83% Board independence.

Table 13: Top 10 Companies with maximum percentage of Independent Directors on the Board				
S. No	Company Name	No. of Directors as on 31 st March, 2017	No of Independent Directors	Percentage
1	Karnataka Bank Ltd	8	7	88%
2	Eicher Motors Ltd	6	5	83%
3	Unichem Laboratories Ltd	6	5	83%
4	Dr Reddys Laboratories Ltd	10	8	80%
5	Infosys Ltd	10	8	80%
6	Ashok Leyland Ltd	12	9	75%
7	CESC Ltd	8	6	75%
8	Greaves Cotton Ltd	8	6	75%
9	JM Financial Ltd	8	6	75%
10	Gati Ltd	8	6	75%

Tenure/ Association of Directors

Association of the Independent Directors with the Company is an important factor to consider, as long tenure/ association tends to vitiate independence. It remains a debatable point whether long tenure impacts independence or not. For some independence is state of mind, character of individual and many other factors and relationship does not impact the same. While it may be true, however, till date no technique has been developed to measure these subjective factors and behaviour traits. Therefore, association or tenure is the best measure till some better method is found. While, the Companies Act, 2013 restricts association of IDs with the Company for 2 terms of up to 5 years each, it excludes any association of the IDs with the Company prior to 1st April, 2014 (being the date on which provisions relating to Independent Directorship was made effective). This means that a person associated with a Company as an Independent Director for any length of time as on 31st March, 2014, can effectively serve for another 10 years on the Board of the same Company. While, such re-appointment is permitted under the law, it is not in consonance with the spirit behind the statute. Association of IDs across Companies with different ownerships is indicated in the 3 different Graphs 8A, 8B and 8C:



As on 31st March, 2017, more than 1/4th of total Independent Directors in Indian Corporates were associated with the Company for more than 10 years. While, this percentage increases to 36% in case of Foreign MNCs, it shrinks to mere 3% in case of PSUs. Does it mean that only PSUs have complied with the spirit behind the law?

Further analysis reveals that compliance by PSUs is mainly due to the fact that Directors in PSUs keep changing according to the Govt. diktat, which is quite frequent. As a result, Independent Directors who are already very scarce in PSUs keep changing. Only 3% of IDs have managed to remain more than 10 years as ID.

Table 14		
Association in years	Number of directors	%
50+	3	0.13%
40- <50	6	0.26%
30-<40	30	1.29%
20-<30	81	3.48%
10-<20	454	19.52%
0-10	1,752	75.32%
Total	2,326	100.00%

It seems that despite the fact that concept of independence of directors originated in developed countries, MNCs are the biggest defaulters as far as spirit of regulation goes. In case of MNC 36% directors (IDs) are associated for more than 10 years, indicating that even MNCs are following the law only in letter and not in spirit. Out of total 2,326, independent directors across the sample, 574 directors have tenure >10 years. There are directors who have been associated with the companies for as long as 4-5 decades.

It can be seen that if regulations were to be implemented in their spirit, around 25% of IDs have tenure more than the permissible tenure. A major chunk of non-compliant directors is in 10-20 year bracket. Table 15 gives details of directors with longest tenure.

Table 15: List of Top 10 Independent Directors with longest association with the Company as on 31 st March, 2017			
S. No	Director Name	Company Name	Association with the Company (in years)
1	Pradip Kumar Daga	Century Textiles & Industries Ltd	54
2	Rajendra Ambalal Shah	Procter & Gamble Hygiene and Health Care	53
3	Rajendra Ambalal Shah	Pfizer Ltd	52
4	Rajendra Ambalal Shah	BASF India Ltd	49
5	Madhav Laxman Apte	Bajaj Hindusthan Sugar Ltd	47
6	Hemraj Chaturbhuj Asher	Monsanto India Ltd	44
7	Vandana Ramchandra Walvekar	TTK Prestige Ltd	42
8	Arvind Singh Mewar	JK Tyre & Industries Ltd	42
9	Mansingh Laxmidas Bhakta	Reliance Industries Ltd	40
10	Jamshed Khurshed Setna	Colgate-Palmolive (India)	39

In the Table 15, we have 5 MNCs and 5 from Indian Corporates, indicating that governance in spirit is absent not only in Indian Corporates but in MNCs as well. Both appear to be equally guilty. However, the picture is not that simple, on proportional basis, MNCs would be more guilty because in the Sample there are only 43 MNCs whereas 396 are Indian Corporates.

Mr. Pradip Kumar Daga has been associated with Century Textiles & Industries Ltd. since June, 1963 taking his aggregate association with the Company to 54 years. Further, Mr. Rajendra Ambalal Shah has been associated with Procter & Gamble Hygiene and Health Care Ltd., Pfizer Ltd and BASF India Ltd for 53, 52 & 49 years, respectively. These directors were associated with the above Companies at a time, when the concept of Independent Director was not evolved. Although, all the directors in the above list are associated with the Company for more than 10 years, they have been classified as Independent Director by their respective Companies, which may not be conformity with the spirit behind the law.

Association of Non-Independent Director with the Company: Table 16 reflects names of top 10 longest serving Executive Directors based on their association with the Company. All these companies are promoter driven companies and not a single Non-Promoter Executive director name appears in the list. Does it mean that promoters have higher longevity compared to any professional ED? The answer is simple, going by history and data, a promoter can become ED in his/her early twenties, with barely any experience, whereas a non- Promoter has to slog and reach ED position after considerable years of experience and usually superannuates, whereas promoters generally do not superannuate and continue till they are able to continue. In fact, one wonders if the board evaluation does bring out this fact and can justify such appointments?

Table 16: 10 Eldest Promoter EDs

S. No.	Director Name	Company Name	Nature of Directorship	Association with the Company	Age	Age at Appointment
1	P. R. Ramasubrahman- eya Rajha	The Ramco Cements Ltd	EDP	59	82	23
2	Prithviraj Singh Oberoi	EIH Ltd	EDP	56	88	32
3	Kushal Pal Singh	DLF Ltd	EDP	54	86	32
4	Suresh Govind Kare	Indoco Remedies Ltd	EDP	54	78	24
5	Suresh Krishna	Sundram Fasten- ers Ltd	EDP	53	80	27
6	Rajendra Kumar Somany	HSIL Ltd	EDP	52	79	27
7	Mahavirprasad Suraj- mal Taparia	Supreme Industries Ltd	EDP	51	79	28
8	Raghupati Singhania	JK Tyre & Industries Ltd	EDP	50	70	21
9	Rajan Nanda	Escorts Ltd.	EDP	49	74	25
10	Azim Premji	Wipro Ltd.	EDP	49	72	23

The longest serving ED is Mr. P. R. Ramasubrahmaneya Rajha of Ramco Cements and second longest is Mr. Prithviraj Singh Oberoi of EIH. One can never know what the contribution of these people on Board is? One can certainly not brush off the contribution but can always pose a question, are these people as effective as they were decades back or if they are crucial to existence of company even at this age, what after them? Or they are just continuing on the board effectively in ornamental position and company will continue to grow with or without them. Ultimately, it boils down to honest board evaluation and effective functioning of NRC.

The average age of these promoter EDs on appointment was 26.1 years and the youngest appointee was Raghupati Singhania at the age of 21 years only, immediately after he would have become an adult in those days. K P Singh of DLF and P S Oberoi of EIH, were appointed at the age of 32 years.

Table 17 gives longest serving Non-Promoter EDs. The list contains 6 names of EDs who have spent about 25 or more years as ED. Four out of 6 are Indian Private Owned Companies and remaining two are professionally managed company. In case of Larsen & Toubro Ltd the concerned ED has since quit position of ED.

Director Name	Company Name	Age as on 31st March, 2017	Association as a Director	Age at Appointment
Hawa Singh Chaudhary	Jindal Saw Ltd	63	29	34
Anilkumar Manibhai Naik	Larsen & Toubro Ltd	75	28	47
Rajesh Kumar Gupta	Havells India Ltd	60	25	35
Arun Chandrasen Ashar	UPL Ltd	69	25	44
Blangat Narayanan Babu Raveendra	Manappuram Finance Ltd	65	25	40
Keki Minoo Mistry	Housing Development Finance Corporation Ltd	62	24	38

The average age at the time of appointment of these Non-Promoter EDs was about 40 years, contrast this with average age of ED Promoters, we find a gap of about 14 years. Once again confirming that a professional has to slog much more to reach

the position of ED compared to a Non-Promoter. Can it be said that it is because of genes that promoter kids are more capable or it is a case of born with silver spoon in mouth? Jury is not yet out on this.

Similar analysis has been done for longest Association of Non-Executive Director with the Company, the data is presented in Table 18:

Table 18					
Director Name	Company Name	Nature of Director-ship	Association	Age	Age at Appointment
Basant Kumar Birla	Kesoram Industries Ltd	NEDP	77	96	19
Nusli Wadia	Bombay Dyeing & Manufacturing Company Ltd	NEDP	49	73	24
Narendrakumar Kalyanji Parekh	Pidilite Industries Ltd	NEDP	48	79	31
Rajendra Ambalal Shah	Godfrey Phillips India Ltd	NED	48	86	38
Ashwin Suryakant Dani	Asian Paints Ltd	NEDP	47	74	27
Rahulkumar Kamalnayan Bajaj	Bajaj Holdings & Investment Ltd	NEDP	47	79	32
Ashwin C. Choksi	Asian Paints Ltd	NEDP	47	74	27
Kanaiyalal Maneklal Sheth	Great Eastern Shipping Company Limited	NEDP	47	85	38
Krishna Ramesh	Sundram Fasteners Ltd	NEDP	46	78	32
Dr. Vijaypat Singhania	Raymond Ltd	NEDP	46	78	32

Longest serving 10 NEDs are also found in only Indian Corporates, with one exception i.e. Godfrey Phillips India Ltd which can be treated as both as MNC or Indian owned. Mr. Rajendra Ambalal Shah is the only director who is associated with 4 companies as ID/ NID for 5 decades. Longest association is observed in case of Mr. B K Birla who has been a director for 77 years, probably the longest serving director in Indian corporate history, if not in the world. He is followed by Mr. Nusli Wadia, who has been a director for almost 5 decades, still 28 years behind record of Mr. Birla. The average age at appointment of these 10 directors was 30 years, almost 4 years higher than average age of Promoter EDs in the longest category, which was 26.10 years.

Further data was collated to find 10 youngest Promoter EDs. Following Table 19 contain data on 10 youngest promoter ED in our Sample.

Table 19: 10 Youngest Promoter EDs						
S. No.	Director Name	Age as on 31 st Mar, 2017	Company Name	Classification	Association	Age at Appointment
1	Arjun Govind Raghupathy	27	BGR Energy Systems Ltd	EDP	1	26
2	Sudarshan Venu	28	TVS Motor Company Ltd	EDP	4	24
3	Keshav Bha-janka	28	Century Plyboards Ltd	EDP	2	26
4	Nikita Bansal	28	Century Plyboards Ltd	EDP(W)	1	27
5	Nandamuri Brahmani	29	Heritage Foods Ltd	EDP(W)	4	25
6	Varun Jaipuria	29	Varun Beverages Ltd	EDP	8	21
7	Ishaan Gupta	29	Gateway Distriparks Ltd	EDP	5	24
8	Viral Saraf Mittal	30	Vinati Organics Ltd	EDP(W)	8	22
9	Devansh Jain	30	Inox Wind Ltd	EDP	8	22
10	Renil R. Gogri	30	Aarti Industries Ltd	EDP	5	25

The average age at appointment of these 10 youngest ED was 24.2 years against average age of 26.1 at the time of appointment of longest serving EDs, who would have been appointed in 1950's or 1960's. This indicates that not much has changed in the last 70 years as far as promoters exercising their ownership rights in their majority owned company, despite existence of various corporate governance regulations etc. In fact, average age at the time of appointment has come down by 2 years. Can we say that the advancement has resulted in reduction of appointment age for a person capable of leading the company at much younger age? One can keep on debating the issue endlessly as both sides can have their point of view. Youngest of the lot at the time of appointment is Mr. Varun Jaipuria who was appointed at the age of 21 years. Incidentally, there are three women in the list, indicating signs of changing times, where women have equal rights in family or a sign of compulsion due to legislation? The likelihood of former is much more as at least two of the three have been associated from the time when woman director was not mandated.

Following are the details of youngest Non-Promoter EDs in sample companies:

S. No.	Director Name	Age as on 31st March, 2017	Company Name	SES Classification	Association	Age at Appointment
1	Arihant K. Baid	33	Rupa & Company Ltd	ED	2	31
2	Mohit Malhotra	39	Godrej Properties Ltd	ED	2	37
3	Venkatesalu Palaniswamy	40	Trent Ltd	ED	2	38
4	Prachi A. Deshpande	40	Bombay Rayon Fashions Ltd	ED(W)	2	38
5	Ashwini O. Kumar	41	Indiabulls Housing Finance Ltd	ED	6	35
6	Amiteshwar Choudhary	41	Indiabulls Ventures Ltd	ED	0	41
7	Gagan Banga	42	Indiabulls Housing Finance Ltd	ED	12	30
8	Vishal G. Damani	42	Indiabulls Real Estate Ltd.	ED	2	40
9	Ignatius Navil Noronha	42	Avenue Supermarts Ltd.	ED	12	30
10	Vivek Sarwate	42	Schneider Electric Infrastructure Ltd	ED	2	40

The average age at the time of appointment of these directors is 36 years, whereas for promoter EDs it was observed to be 24.2 years. This proves the theory that non-promoter candidates have to slog to get to ED stage. Assuming this to be an unbiased sample of corporate India, it clearly shows that 12 years on average is difference between initial appointment of promoter and non-promoter ED. Youngest at the time of appointment is Mr. Gagan Banga and Mr. Noronha at 30 years.

The starting age gap between promoter and non-promoter EDs initial appointment which is around 12 years was around 14 years amongst longest serving promoter EDs and non-promoter EDs (older generations). This indicates that presently non-promoter professionals can aspire to become ED 2 year earlier as compared to decades of 60's and 70's. However, for promoter EDs also the starting age has come down.

A word of caution may be added here that this analysis is purely based on top 10

and bottom 10 data points in Sample. It may be a representative sample, or it may not be. Any definitive statement can be made only if all the positions of directors are analysed individually along with their qualifications, year of qualification, age, age at start of professional life and many other relevant factors. This detailed study is not in the ambit of this study.

Promoter and Non-Promoter Directors

Indian corporates have largely been Promoter driven, therefore, it is expected that they would be playing dominant role at the board level. It becomes all the more important to analyse the Board composition of the Sample Companies on the basis of Promoter Directorships. As per SEBI Listing Regulations, 2015, Promoter(s) can hold up to 75% of shareholding in a Company, while the remaining 25% has to be held by the Public, to comply with listing guidelines.

Further, PSUs which have more than 75% of Promoter shareholding have time till 21st August, 2018 to bring their shareholding below 75%. Also, certain Companies which have recently listed pursuant to an IPO also have Promoter shareholding in excess of 75% which they must bring down within time stipulated under the law. There are 21 Listed Companies which have Promoter shareholding more than 75% as on 31st March, 2017. Out of these 21, 10 are PSUs and the other 11 are Indian Corporates which have listed their securities recently or which had increased Promoters equity temporarily and subsequently brought it down. (Dhanuka Agritech Ltd which had 75.09% of Promoter shareholding as on 31st March, 2017, however reduced it subsequently to comply).

It is generally expected that a Company having greater Promoter shareholding will tend to have more Promoter Directors on the Board so that they are adequately represented on the Board of the Company. Following is the distribution of Promoter Directorship based on Promoter Shareholding.

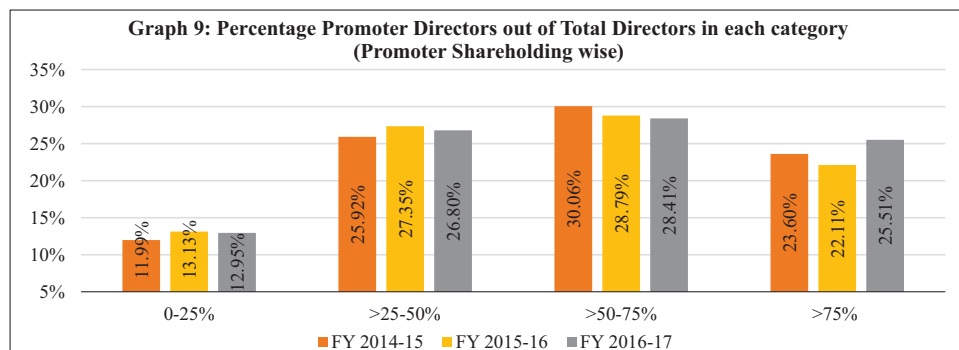


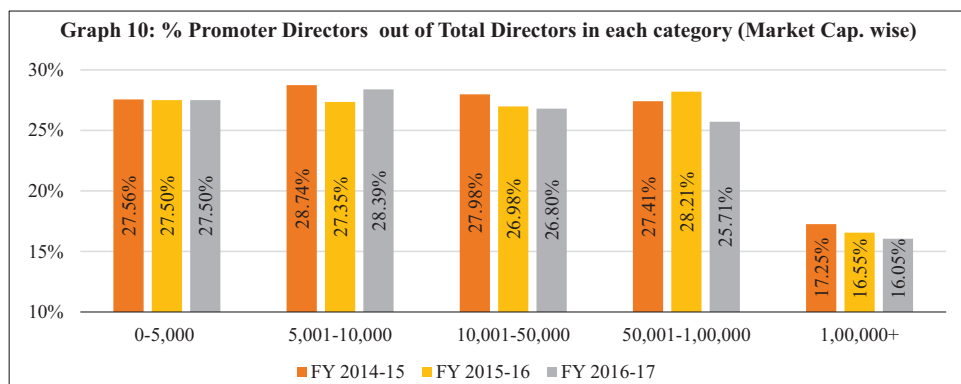
Table 21, indicates the number of Companies having respective Promoter Shareholding Pattern as referred in the Graph 9:

Table 21: Number of Listed Companies having different Promoter Shareholding			
Promoter Shareholding	2014-15	2015-16	2016-17
0-25%	26	28	35
25.01-50%	135	133	136
50.01-75%	261	275	288
Above 75%	19	22	21
Total	441	458	480

**While, Company data for FY 2014-15 & 2015-16 are 447 and 469, respectively, however, since the shareholding pattern of certain Companies were not available as on 31st March of the respective year end, therefore, they could not be considered for the purpose of computing the Promoter Shareholding, hence, such Companies have been excluded in the above table.*

Promoter Director on the Board of the Companies with less than 25% of Promoter shareholding has been in the range of 12-13%, while Companies having more than 50% but less than 75% of Promoter shareholding have Promoter Directors in the range of approx. 26-30%. From the data no association can be established on number of promoter directors with the shareholding as one would have expected. The reason is simple, in majority of the cases the promoter directors can be maximum 50%, and from this 50%, room has to be provided for Nominee director(s) if any, experts and Professional ED's. Therefore, very few companies can have directors from promoter category up to 50% or more.

While, the above analysis indicate that the Promoter shareholding and Promoter directorship is not positively co-related. Graph 10 depicts concentration of Promoter Directors on the Board of the Companies across Companies with different market capitalisation as on 31st March, 2017.



While, the proportion of Promoter Directors in Companies having market capitalisation up to ₹ 1 lac crores is agnostic to market capitalisation and has remained almost constant in narrow range 27.5%, Companies with market capitalisation in

excess of ₹ 1 lac crores have lesser proportion of Promoter Directors compared to other category. This category includes ‘Professionally managed Companies’, viz. ITC Ltd., Larsen & Toubro Ltd, HDFC Bank Ltd., ICICI Bank, Housing Development Finance Corporation Ltd which do not have any Promoter Director on their Board, thus, bringing down the average. The list also includes PSUs such as Coal India, ONGC, Indian Oil, NTPC and Power Grid, and these PSUs also do not have large number of Promoter directors.

Indian Corporates in the 1 Lac plus market cap are TCS, Reliance Industries, Kotak Mahindra Bank, Sun Pharma, Infosys, Wipro, HCL, Axis Bank, Hindustan Zinc, Tata Motors, Asian Paints Ltd, Maruti Suzuki Ltd and Bharti Airtel Ltd. Only Maruti is an outlier in this group having a large number of promoter directors on board i.e. 7 out of 12 directors are promoter directors. Two MNCs are in the list, viz. Maruti & HUL.

Table 22, lists the Number of Companies in each category based on the Market Capitalisation.

Table 22: Number of Listed Companies across different Market Capitalisation as on 31st March, 2017			
Market Capitalisation (in ₹ Cr)	2014-15	2015-16	2016-17
0-5,000	191	199	201
5,001-10,000	87	96	100
10,001-5,0000	124	129	133
50,001-1,00,000	20	20	21
1,00,000 and above	25	25	25
Total Companies	447	469	480

Table 23 shows companies with maximum promoter directors on the Board. Of these 10 companies, 4 are MNCs and other 6 are Indian Corporates, including GNFC, which is partly owned by Gujarat Government Company.

Table 23: Top 10 Companies having maximum number of Promoter Directors					
S. No	Company Name	PSU/MNC/ Indian Corporates	Total Board size	Total Promoter Directors	% Total Promoter
1	3M India Ltd	MNC	9	6	66.67%
2	Interglobe Aviation Ltd	Indian Corporate	6	4	66.67%
3	Maruti Suzuki India Ltd	MNC	12	7	58.33%
4	Godfrey Phillips India Ltd	MNC	9	5	55.56%
5	Escorts Ltd.	Indian Corporate	9	5	55.56%
6	Vinati Organics Ltd	Indian Corporate	9	5	55.56%
7	Gujarat Narmada Valley Fertilizers & Chemicals Ltd	Indian Corporate	9	5	55.56%
8	Mphasis Ltd	MNC	9	5	55.56%
9	Muthoot Finance Ltd	Indian Corporate	10	5	50.00%
10	J Kumar Infraprojects Ltd	Indian Corporate	8	4	50.00%

Note: Directors holding directorships in the Promoter Company and those related to Promoters, are considered Promoter Director.

Table 24 shows Ten companies with least number of promoter directors on the Board. Of these 10 companies 2 are MNCs and other 7 are Indian Corporates and one PSU.

Table 24: Top 10 Companies having Least Number of Promoter Directors					
S. No.	Company Name	PSU/MNC/ Indian Corporates	Total Board size	Total Promoter Directors	% Total Promoter
1	Ashok Leyland Ltd	Indian Corporate	12	1	8.33%
2	JSW Steel Ltd	Indian Corporate	12	1	8.33%
3	Indiabulls Housing Finance Ltd	Indian Corporate	12	1	8.33%
4	Hitachi Home & Life Solutions (India) Ltd	MNC	11	1	9.09%
5	NBCC (India) Ltd.	PSU	11	1	9.09%
6	Mahindra & Mahindra Ltd	Indian Corporate	11	1	9.09%
7	Exide Industries Ltd	Indian Corporate	10	1	10.00%
8	HCL Infosystems Ltd	Indian Corporate	10	1	10.00%
9	Colgate-Palmolive (India) Ltd	MNC	10	1	10.00%
10	Indian Hotels Co Ltd	Indian Corporate	10	1	10.00%

Note: Directors holding directorships in the Promoter Company and those related to Promoters, are considered Promoter Director.

Incidentally in both the Tables, maximum and minimum number and % of promoter directors contain names of companies which are fairly successful in their respective field. Can one conclude that promoters' presence or absence on the Board has no impact? Or can one say that there is a remote control of promoters in cases where they are not directly present? Once again, it is difficult to conclude anything unless detailed study of empirical data is done.

Table 25 shows Ten companies with maximum number of promoter Executive directors on the Board. All these 10 companies are Indian owned corporates.

S. No.	Company Name	PSU/MNC/ Indian Corporates	Total Board size	No. of Promoter EDP	% Promoter EDs
1	Muthoot Finance Ltd	Indian Corporate	10	5	50%
2	J Kumar Infraprojects Ltd	Indian Corporate	8	4	50%
3	Prestige Estates Projects Ltd	Indian Corporate	8	4	50%
4	Jyothy Laboratories Ltd	Indian Corporate	6	3	50%
5	Nava Bharat Ventures Ltd	Indian Corporate	9	4	44%
6	Time Technoplast Ltd	Indian Corporate	9	4	44%
7	Sharda Cropchem Ltd	Indian Corporate	9	4	44%
8	Emami Ltd	Indian Corporate	16	7	44%
9	Century Plyboards (India) Ltd	Indian Corporate	16	7	44%
10	Bliss GVS Pharma	Indian Corporate	7	3	43%

Note: Directors holding directorships in the Promoter Company and those related to Promoters, are considered Promoter Director.

Table 26 shows Ten companies with least number of promoter executive directors on the Board. Of these 10 companies only 1 is MNC 8 are Indian Corporates and one PSU.

S. No	Company Name	PSU/MNC/ Indian Corporates	Total Board size	No. of Promoter EDP	% Promoter EDs
1	Bhushan Steel Ltd	Indian Corporate	17	1	6%
2	NMDC Ltd	PSU	14	1	7%
3	SML ISUZU Ltd	MNC	13	1	8%
4	JSW Steel Ltd	Indian Corporate	12	1	8%
5	Indiabulls Housing Finance Ltd	Indian Corporate	12	1	8%
6	Deepak Fertilisers & Petrochemicals Corp Ltd.	Indian Corporate	12	1	8%
7	CEAT Ltd	Indian Corporate	12	1	8%
8	Jindal Steel & Power Ltd	Indian Corporate	12	1	8%
9	Cipla Ltd	Indian Corporate	12	1	8%
10	Gujarat Fluorochemicals Ltd	Indian Corporate	12	1	8%

Note: Directors holding directorships in the Promoter Company and those related to Promoters, are considered Promoter Director.

Table 27: Top 10 Companies having maximum number of Promoter Non-Executive Directors

S. No.	Company Name	PSU/MNC/ Indian Corporates	Total Board size	No. of Promoter NEDP	% Promoter NEDs
1	Mphasis Ltd	MNC	9	5	56%
2	Interglobe Aviation Ltd.	Indian Corporate	6	3	50%
3	Gujarat Gas Ltd	PSU	10	5	50%
4	Inox Leisure Ltd	Indian Corporate	8	4	50%
5	ICRA Ltd	MNC	8	4	50%
6	WABCO India Ltd	MNC	8	4	50%
7	Karur Vysya Bank Ltd	Indian Corporate	11	5	45%
8	3M India Ltd	MNC	9	4	44%
9	Gujarat Narmada Valley Fertilizers & Chemicals Ltd	Indian Corporate	9	4	44%
10	Chennai Petroleum Corporation Ltd	PSU	9	4	44%

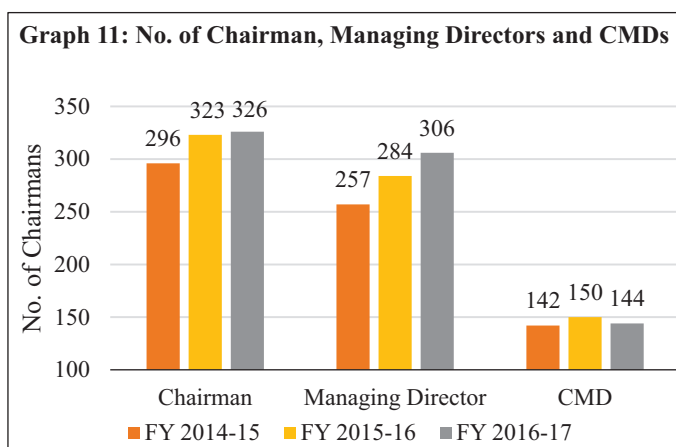
Note: Directors holding directorships in the Promoter Company and those related to Promoters, are considered Promoter Director.

Table 28: Top 10 Companies having minimum number of Promoter Non-Executive Directors

S. No	Company Name	PSU/MNC/Indian Corporates	Total Board size	No. of Promoter NEDP	% Promoter NEDs
1	Bhushan Steel Ltd	Indian Corporate	17	1	6%
2	Aarti Industries Ltd	Indian Corporate	16	1	6%
3	Emami Ltd	Indian Corporate	16	1	6%
4	Reliance Industries Ltd	Indian Corporate	14	1	7%
5	NCC Ltd	Indian Corporate	14	1	7%
6	Ashok Leyland Ltd	Indian Corporate	12	1	8%
7	NLC India Ltd (Neyveli Lignite Corporation Ltd)	PSU	12	1	8%
8	Deepak Fertilisers & Petrochemicals Corp Ltd.	Indian Corporate	12	1	8%
9	CEAT Ltd	Indian Corporate	12	1	8%
10	Jindal Steel & Power Ltd	Indian Corporate	12	1	8%

Note: Directors holding directorships in the Promoter Company and those related to Promoters, are considered Promoter Director.

Chairman & Managing Director (CMDs) and Chairman of the Board:



Corporate structure envisages three layers, at the top is General Body of shareholders, which guides and approves proposal of the Board, second in line is the Board, which is directed by General body, AoA and MoA and which sets agenda

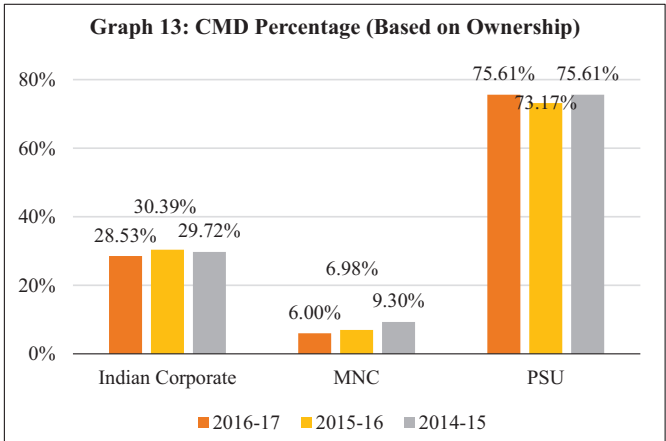
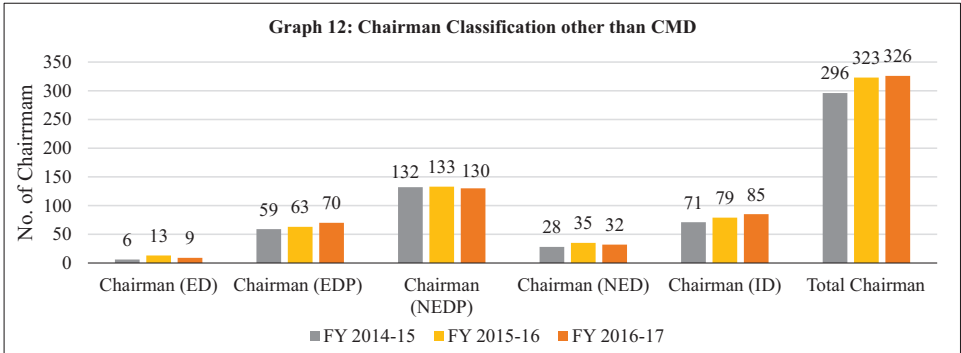
for Management, lays down policy, future plans. The Board is headed by Chairman. The Management which is at the bottom of pyramid is headed by Managing Director/ CEO, who is responsible for day to day management and operational issues. There is no legal bar for an individual to be appointed as Chairman & Managing Director if the articles of the Company so provide. However, combining both the Position of Chairman and Managing Director of the Company and appointing an individual to hold both positions, has potential to lead to a situation where power is concentrated in an individuals' hand and can create conflict of interest situation. Combination of position of MD and Chairman blurs the demarcation between Board and Management.

In the three-year period under review, number of CMD positions have increased marginally from 142 to 144, on the other hand, Chairman of the Company (not also the Managing Director) has increased to 326 from 296. However, in these years Sample also increased from 447 companies to 480 companies on account of new listings.

Table 29: No. of Chairman and Managing Directors (CMDs) based on Promoter	
Promoter / Non-Promoter	FY 2016-17
Promoter CMDs	110
Non-Promoter CMDs	34
Total	144

It can be seen that predominantly CMD position is occupied by promoter, 76% of CMDs were promoters. Although, the number of Chairman count is not strictly

comparable between FY 2014-15, FY 2015-16 & FY 2016-17 as the number of Companies during FY 2016-17 is greater than the previous 2 years, however, if one goes by the CMD to Chairman (non-CMD) ratio, there appears to be a pattern wherein Companies are separating the positions of Chairman and the Managing Director during the past 2 years.



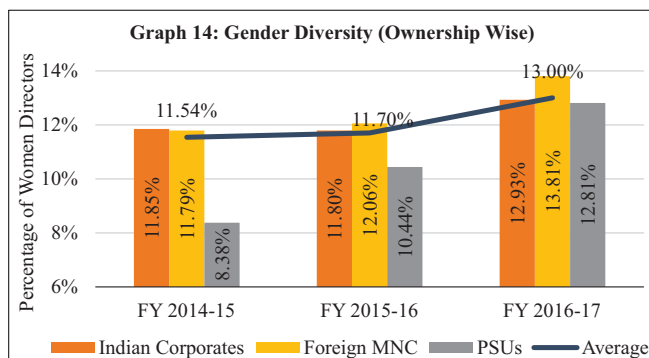
The Graph 12 reveals that predominantly chairman of the Board in cases where the position is separated is promoter director. Of the 326 chairmen across our Sample in 2016-17, a total of 200 were promoters (130 NEDP and 70 EDP) indicating almost 2 in

3 are promoter chairmen. Only handful of companies had a Non-Promoter ED as chairperson. And if we add CMD positions as well it is found that out of 480 sample companies, in 310 companies promoters are occupying chairman position, which amounts to almost 64.5% of total sample. Narrowing down further in 396 Indian Corporates 295 are promoter chairman or CMD, indicating that 75% of Indian Corporates have promoter at the top.

From Graph 13 it can be seen that most PSUs have position of Chairman and MD combined at almost 75%, the lowest proportion is observed in case of MNCs which have only 9.30% CMD positions as at 31st March, 2017.

Gender Diversity:

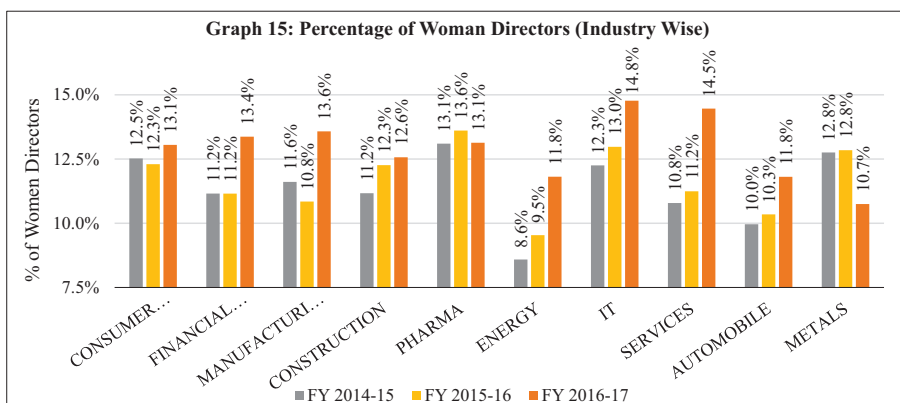
Gender diversity is seen to make a positive impact in the decision-making process and management of a Company. The Companies Act, 2013 and the SEBI Listing Regulations have mandated at least one-woman director on the Board of a Listed Company. Kotak committee has gone a step further and recommended that at least one-woman ID must be appointed on every listed Company



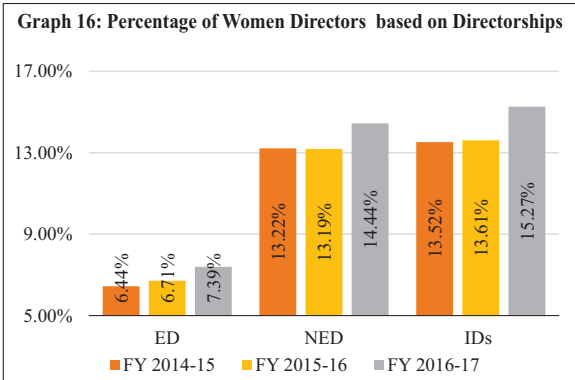
Data on women directors in sample companies is given in Graph 14, it can be seen that there has been a marginal increase in the average number of women directors on the Board of NIFTY 500 Companies. In the

Sample companies the average number of women directors has increased from 11.54% to 13.00% in the past 3 years. Significant improvement can be observed in the PSUs where the percentage of women directors on the Board has improved from 8.38% in FY 2014-15 to 12.81% FY 2016-17. At 13.81% MNCs have the highest percentage of women directors as on 31st March, 2017.

The study has also analysed gender diversity on the basis of industry as categorised by NSE. Graph 15 indicates percentage of woman director on the Boards of Companies in various industries. Industries having at least 25 Companies have been considered. Accordingly, gender diversity and trends for 3 years have been collated across 10 different industries.

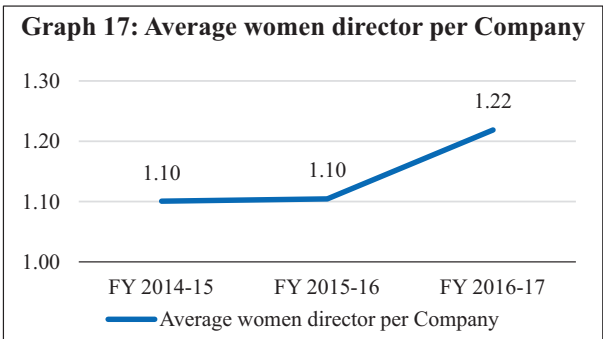


Except for Metals and Pharma, all other industries have witnessed an increase in the percentage of women directors on the Board of the Company during FY 2016-17. IT and Services industry has almost 15% of women directors on their Board during FY 2016-17, whereas Metals, Energy and Automobiles has only 10.70%, 11.80% and 11.80% of women directors on their Board, respectively during the same period.



Based on directorship, women directors have made improvement across all categories, including Executive and Non-Executive Directorships. 15.27% of Independent Directors during FY 2016-17 were women, however, their composition drops significantly to 7.39% while computing percentage of

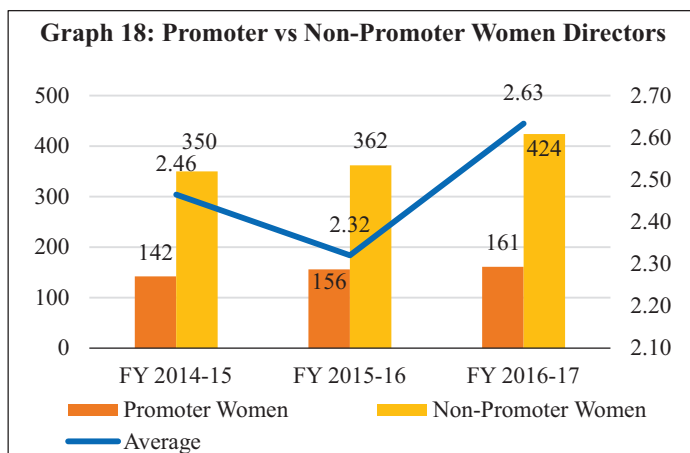
women directors in the Executive Category during the same period. This figure was 6.44% only during FY 2014-15. Graph 16, indicates that while participation of women directors in around 13-15% in the Non-Executive category excluding Independent Directorship, their proportion reduces significantly in the Executive Category as on 31st March, 2017. While, the Executive work still appears to be in favour of male directors in a ‘man-dominated society’.



Graph 17 reveals average women director in a board across sample companies. In FY 2014-15 & FY 2015-16, there was 1.10 women director in a board, the number has increased to 1.22 women/ board. This amounts to about 11%

increase in the numbers. Going by the trend and the emphasis laid to gender diversity across the globe, the percentage of women directors on the Board appears to move in only one direction i.e., in a positive direction.

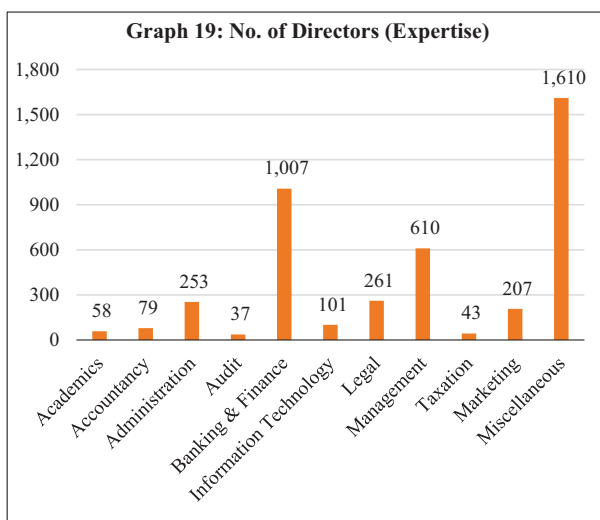
Promoter vs Non-Promoter Women Directors:



In various forums, there has been opposition for mandating appointment of a woman director on board, citing the scarcity of women directors available to take up position. The opposition grows louder when

proposal is mooted to mandate appointment of independent women director. Graph 18 gives details of promoter and non-promoter women directors. It can be seen that while increase across three-year period in number of promoter women director was only 19, from 142 promoter women directors in 2014-15 to 161 in 2016-17, the increase in non-promoter women director was seen at 74, from 350 non-promoter women directors in 2014-15 to 424 in 2016-17. Indicating that increase in Non-Promoter director was almost 4 times. This data must silent all those who are crying hoarse on shortage.

Expertise and Educational Background:



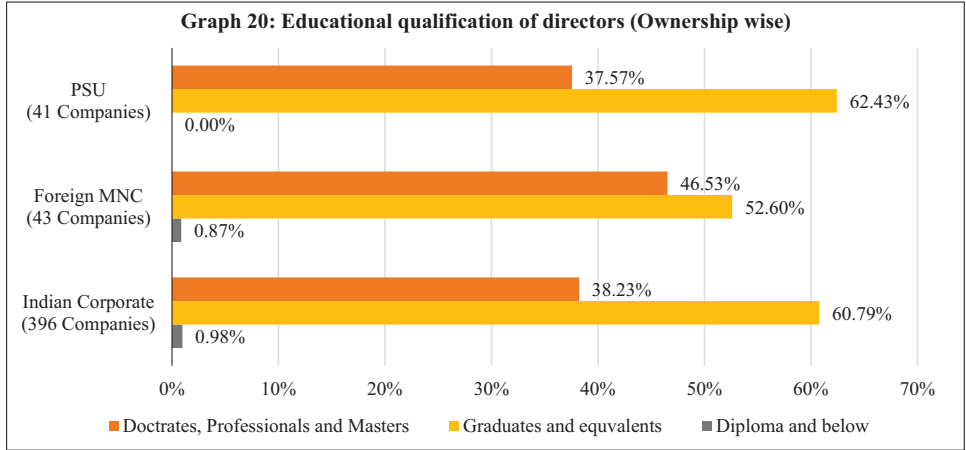
A Board must also have an optimum balance of individuals from different backgrounds that are concerned with the Company. A sound Board will have an appropriate mix of directors from diverse fields such as Legal, Finance, Administration, etc. Such diverse Board helps the Company in attaining specialised knowledge from their

directors and appropriate guidance wherever required. Out of total universe of 4,508 director’s expertise of approx. 4,266 directors has been captured and categorised in 10 board headings. Expertise that were specific to the respective business of the Companies have been categorised under Miscellaneous.

Majority of directors in the NIFTY 500 Companies are having expertise in Banking and Finance field, followed by Management. As per the data, expertise in Audit & Taxation had least number of directors during FY 2016-17.

Further, in Table 30 & Graph 20, Educational qualifications have been captured and segregated of almost 4,282 directors out of total universe of 4,508 directors in NIFTY 500 Companies. in terms of educational qualifications majority of directors are Graduates and equivalents. PSUs have the highest proportion of Graduates, while Foreign MNCs have highest percentage of Directors who are Doctorates, Professionals or hold master’s degrees. Out of total 4,282 directors, only 0.89% (38) do not have graduate degree, while 60.25 % (2,580) have a graduate and equivalent degree, rest 38.84% (1,663) are either post graduate, professionally qualified or even have multiple professional qualification.

Table 30					
Category	Diploma & below	Graduates & Equivalents	Doctorates, Professionals & Equivalents	Total	Total Companies
Indian Corporates	35	2,167	1,363	3,566	396
MNC	3	182	161	346	43
PSU	0	231	139	370	41
Total	38	2,580	1,663	4,282	480



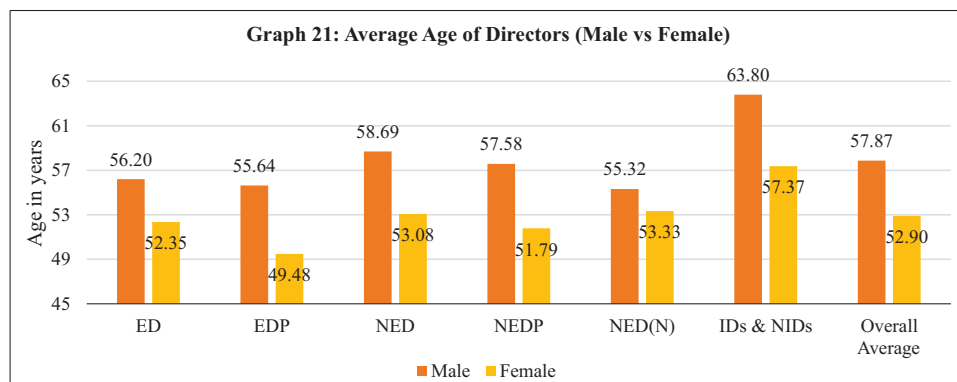
46.53% of directors in Foreign MNC are Doctorates, Professionals or holding master's degree. Proportion of such directors in the PSU and Indian Corporates categories are around 37-38%.

Also, PSUs have the highest percentage of directors who are Graduates and equivalents. Number of directors that are holding only a diploma degree or below are negligible when compared with others.

Age of Directors

Directorship wise: While, age per se may not be an element of proficiency and ability of a director, however, it may be an important factor while undertaking a succession planning. The Companies Act, 2013 has stipulated that no Executive Director be appointed or re-appointed post attainment of 70 years unless a special resolution by the shareholders in passed in this regard. While, there is no such age bar for Non-Executive Directors, the 'Kotak Committee Report on Corporate Governance' specifies that such demarcation be also extended to Non-Executive Directors. The Committee recommended that NED above 75 years, must obtain consent of shareholders vide a special resolution in order to continue on the Board of the Listed Company.

Graph 21 depicts the data on age of Directors including Promoter Executive Directors ('EDP'), Non-Executive Non-Independent Promoter Directors ('NEDP') and Non-Executive Nominee Directors ('NED(N)') of NIFTY 500 Companies as on 31st March, 2017.



Overall in the Sample, average age of male directors is 57.87 years, whereas average age of women directors is 52.90, with a clear gap of around 5 years. In other words, female directors on an average is 5 years younger to their male counterpart. This gap is almost same across all category of directors except in case

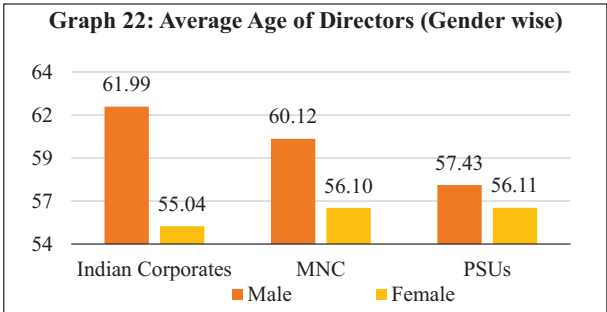
of nominee directors. The Nominee Directors (NED(N)) in the above graph are nominees of Public Financial Institutions or Banks, who represent the interest of their respective Public Financial Institutions or Banks in the Listed Companies. The gap between the age of male and female director is only 2 years, which is the least in all categories. Reason for this is not difficult to see. Most of nominee directors are employees of institutions and nomination takes place only after reaching a level of seniority in organisation, and in organisations there is no differentiation between male and female for promotions. Further, for nominee directors there is no mandate for appointing women directors.

Youngest of all the directors are women Promoter Executive Directors, whereas Independent Directors in the male category appear to be the most experienced according to the above graph. Average age of Independent Directors (male) being above 60 indicates that being an ID in the Board of a Company is most likely to be a ‘Post retirement job’, rather than a professional work. Independent Directors are generally those persons who carry vast experience in their respective fields so that they could contribute and add value to the Board of the Company where they are IDs, therefore, higher age of Independent Directors (man or female) is not surprising.

On the other hand, higher variation in the age of male and female category can be observed in the ID and NEDP category.

The other possible reason could be that women director is a comparatively a recent phenomenon, whereas male directors have been occupying board positions since long.

Ownership wise: While the data of NIFTY 500 Companies indicate that age of male directors has remained more than that of the women directors, however, it may also be pertinent to study the age difference between Indian Corporates, Foreign MNCs and PSUs.



Graph 22, indicates average age of male directors versus that of the female directors across all categories. While, the Indian Corporates appear to have the highest difference in the age of male and female directors, the

PSUs have maintained a very good ratio in terms of age of women and men directors. There is almost a 7 years gap between the male and female directors in the Indian Corporates, compared to less than 1.5 years in the PSU category and almost 4 years in MNCs. The data clearly reflects factual position which can be logically explained. In case of PSUS most of the directors are government appointees and are serving employees, with retirement age being 60 years, it is logical to have directors with less than 60 years, with very little gap between men and women. In case of MNCs, women have been occupying senior positions including board positions for long, therefore difference is not very large. On the contrary, in case of Indian Promoter owned Corporates, women director is recent phenomenon and a decade back women directors were far and few.

Table 31: 10 Youngest Directors on the Board of NIFTY 500 Companies during FY 2016-17				
Ranking	Director Name	Age as on 31st March, 2017	Company Name	Nature of Directorships
1	Ruchir Kumar Modi	23	Godfrey Phillips India Ltd	NEDP
2	Namrata Bhutada	24	Shilpa Medicare Ltd	NEDP(W)
3	Shashwat Goenka	26	Firstsource Solutions Ltd	NEDP
4	Shom Ashok Hinduja	26	Gulf Oil Lubricants India Ltd	NEDP
5	Amruta Velumani	26	Thyrocare Technologies Ltd	NEDP(W)
6	Jayvardhan Vinod Goenka	27	D B Realty Ltd	NEDP
7	Avantika Gupta	27	Techno Electric & Engineering Company Ltd	NEDP(W)
8	Arjun Govind Raghupathy	27	BGR Energy Systems Ltd	EDP
9	Avni Kishorkumar Biyani	27	Future Lifestyle Fashions Ltd	NEDP(W)
10	Keshav Bhajanka	28	Century Plyboards (India) Ltd	EDP

Mr. Ruchir Kumar Modi of Godfrey Phillips India Ltd, tops the list with only 23 years as on 31st March, 2017. In 10 youngest directors, there are 4 women directors also. However, all 10 directors belong to promoter family.

Table 32: 10 Eldest Directors on the Board of NIFTY 500 Companies during FY 2016-17				
Ranking	Director Name	Age as on 31 st March, 2017	Company Name	Nature of Directorships
1	Basant Kumar Birla	96	Century Textiles & Industries Ltd	NEDP
		96	Kesoram Industries Ltd	NEDP
2	Seetharamaiah Devineni	91	Heritage Foods Ltd	ID
3	B.S.Bajaj	90	Natco Pharma Ltd.	ID
4	Brij Mohan Khaitan	90	CESC Ltd	ID
		90	Eveready Industries India Ltd	NED
		90	McLeod Russel India Ltd	NEDP
5	Dharam Vir Kapur	89	Reliance Industries Ltd	ID
		89	DLF Ltd	ID
6	Dhruba Narayan Ghosh	89	Housing Development Finance Corporation Ltd	ID
		89	Birla Corporation Ltd	ID
7	Jamshed Khurshed Setna	89	Colgate-Palmolive (India) Ltd	ID
8	Salil Kumar Gupta	89	SREI Infrastructure Finance Ltd	ID
9	Kotamreddi Balarama Reddy	89	Nava Bharat Ventures Ltd	ID
		89	GVK Power & Infrastructure Ltd	ID
10	Lakkavajjala Subrahmanya Sarma	88	Granules India Ltd	ID

Mr. Basant Kumar Birla at 96 years, is the senior most director amongst the NIFTY 500 Companies. Top 10 eldest directors are directors in 16 Companies. Mr. Brij Mohan Khaitan who is 90 years of age, holds Non-Executive Directorship (including ID in CESC) in 3 Listed Companies. Mr. Basant Kumar Birla who is 96 years old, is holding directorship in 2 Listed Companies. None of these directors are holding any Executive Directorship in any Listed Company in the NIFTY 500 as on 31st March, 2017. 12 out of the 16 directorships as per the above table is Independent. It can be said that companies not only continue with old and seasoned promoter directors but continue with old and seasoned IDs as well.

Data regarding cumulative experience of all the Board members put together was collated and the board with maximum cumulative age or highest average age is given in Table 33, on the other hand 10 youngest Board are collated in Table 34

Table 33					
S. No	Name of the Company	Aggregate Age	No. of Director	Ave age	Eldest Directors (Age as on 31 st March, 2017)
1	Housing Development Finance Corporation Ltd	814	11	74.00	Dhruba Narayan Ghosh (89)
2	Supreme Industries Ltd	738	10	73.80	Yogendra Premkrishna Trivedi (88)
3	Unichem Laboratories Ltd	434	6	72.33	Ramdas Maneklal Gandhi (84)
4	Century Textiles & Industries Ltd	577	8	72.13	Basant Kumar Birla (96)
5	Supreme Petrochem Ltd	642	9	71.33	Bajranglal Surajmal Taparia (82)
6	Suven Life Sciences Ltd	499	7	71.29	Maripuri Rangaswamy Naidu (84)
7	Birla Corporation Ltd	640	9	71.11	Dhruba Narayan Ghosh (89)
8	Sundram Fasteners Ltd	781	11	71.00	Suresh Krishna (80)
9	Gati Ltd	568	8	71.00	Srinivasan Natesan (86)
10	Deepak Fertilisers & Petrochemicals Corp Ltd.	847	12	70.58	Rajendra Ambalal Shah (86)

All the companies are from Indian Corporates category. Boards of these 10 companies are member of super 70's club, as average age of all the board members is 70+, with highest being 74 years in case of HDFC Ltd.

Table 34: Top 10 Youngest Board					
S. No.	Name of the Company	Aggregate Age	No. of Director	Average age	Youngest Directors (Age as on 31 st March, 2017)
1	Hathway Cable & Datacom Ltd	410	9	45.56	Viren Rajan Raheja (33)
2	Sadbhav Engineering Ltd	456	10	45.60	Purvi Sushil Parikh (35)
3	Bajaj Corp Ltd	293	6	48.83	Kushagra Shishirkumar Bajaj (40)
4	WABCO India Ltd	391	8	48.88	Lakshmi Venu (34)
5	8K Miles Software Services Ltd	392	8	49.00	Babita Singaram (34)
6	Avenue Supermarts Limited	295	6	49.17	Manjri Aditya Chandak (32)
7	The Phoenix Mills Ltd	399	8	49.88	Shweta Pradeep Vyas (36)
8	D B Realty Ltd	499	10	49.90	Jayvardhan Vinod Goenka (27)
9	Amara Raja Batteries Ltd	401	8	50.13	Bhairavi Tushar Jani (38)
10	Rattanindia Power Ltd	503	10	50.30	Anjali Nashier (39)

Once again credit for youngest board goes to Indian Corporates, as all the 10

companies belong to this category. The data once gain indicates that age has no meaning as in the oldest club, one can see HDFC and in youngest club one can see Avenue Supermarkets, both have performed exceedingly well. Although HDFC has almost 5 decades of history of super performance, Avenue Supermarket is a new kid on the block. Yet it does indicate that age does not matter.

Time Commitment of Directors

Time Commitment of directors on the Board of the Company is a very important parameter in analysing the Board’s performance. A director who has excessive time commitment may not be able to devote sufficient time towards the affairs of the Company.

In total there are 3,597 unique individuals occupying 4,508 directors position in our Sample companies. From this, a straight answer comes that average directorship is 1.25 directorship/ individual director. However, this is not a correct statement as many of these individuals are directors in companies which are not part of Sample. Table 35 analyses distribution of directorships in Sample companies.

Table 35			
Number of Directorships	Total Positions	Individuals	Percentage
1	2426	2380	66.17%
2	846	636	17.68%
3	419	254	7.06%
4	326	156	4.34%
5	231	88	2.45%
6	169	57	1.58%
7	64	21	0.58%
8	12	3	0.08%
9	5	1	0.03%
10	10	1	0.03%
Total	4508	3597	100.00%

It can be seen that only a handful number have directorships in 5 or more companies. Only 171 (4.75%) of individuals have 5 or more listed company directorships. A major chunk i.e. 3,016 (85%) have 2 or less number of directorships. Further, these 171 persons are having 491 directorships position in the sample. Of these 371 directorships position are occupied by individuals who are 60+ years of age, of these 488 directorships position, 381 are IDs and 80 are promoters. It can easily be said that most of the persons occupying 5 or more listed directorships are IDs and are above 60 years of age.

List of directorships of all directors of NIFTY 500 Companies for FY 2016-17 has been collated from MCA database. The Directorships has been gathered post the date of Notice of the respective AGM. Although, the date of directorships of all the directors may vary, one may however understand the approx. time commitment of directors during FY 2016-17. Table 36 and 37 list out individuals with maximum listed and total directorships

While one cannot comment on contribution of these directors on their respective board for want of details, however one can only question as to why younger people are not accepting more number of directorships or they are not offered directorships? Or is it a case that directorships are offered based on social standing or influential status or it is just because of sheer experience?

Table 36: Top 10 Directors with maximum directorship in Listed Companies		
S. No.	Director Name	Listed Directorship
1	Rajendra Ambalal Shah	10
2	Pradip Kumar Khaitan	9
3	Naresh Chandra (since deceased)	8
4	Nasser Mukhtar Munjee	8
5	Bansidhar Sunderlal Mehta	8
6	Omkar Goswami	7
7	Dinesh Kumar Mittal	7
8	Murugappan M. Muthiah	7
9	Sanjay Khatau Asher	7
10	Balaji Rao Jagannathrao Doveton	7

Table 37: Top 10 Directors with maximum directorships in all Companies		
S. No.	Director Name	Total Directorship
1	Akshay Rajan Raheja	20
2	Ashok Motilal Katariya	20
3	Girish Agarwal	20
4	Kuldip Singh Dhingra	20
5	Malav Ajitbhai Mehta	20
6	Mukesh Agarwal	20
7	Nitasha Nanda	20
8	Poosapadi Ramasamy Raja Ramasubrahmaneya Rajha	20
9	Rajiv Singh	20
10	Ramesh Agarwal	20

The Table 38 gives information as to what is the number of directorship that each board member of the company has. All the 10 companies are Indian Corporates.

Table 38: Top 10 Companies whose Directors have maximum Directorships				
S. No.	Company Name	Total Number of Directorships	Total Number of Directors	Average Directorships
1	The Ramco Cements Ltd	75	6	12.50
2	Apollo Hospitals Enterprise Ltd	159	13	12.23
3	Jubilant Life Sciences Ltd	59	5	11.80
4	Hathway Cable & Datacom Ltd	103	9	11.44
5	Magma Fincorp Ltd	80	7	11.43
6	Allcargo Logistics Ltd	91	8	11.38
7	Delta Corp Ltd	88	8	11.00
8	Jubilant Foodworks Ltd	66	6	11.00
9	Dewan Housing Finance Corporation Ltd	73	7	10.43
10	Minda Industries Ltd	52	5	10.40

The Ramco Cements Ltd is leader in the pack with average 12.50 directorships by each director, followed by Apollo Hospitals Ltd.

Table 39 gives details of maximum listed company directorship in 10 companies from top.

Table 39: Top 10 Companies whose Directors have maximum Listed Directorships				
S. No.	Company Name	Total Number of Listed Directorships	Total Number of Directors	Average Listed Directorships
1	Bajaj Finserv Ltd	43	8	5.38
2	Bajaj Holdings & Investment Ltd	52	10	5.20
3	Eveready Industries India Ltd	36	8	4.50
4	JK Lakshmi Cement Ltd	44	10	4.40
5	Bombay Dyeing & Manufacturing Company Ltd	48	11	4.36
6	Bajaj Auto Ltd	65	15	4.33
7	The Ramco Cements Ltd	26	6	4.33
8	Bombay Burmah Trading Corporation Ltd	34	8	4.25
9	Bajaj Finance Ltd	55	13	4.23
10	Indian Hotels Co Ltd	42	10	4.20

All the 10 companies are Indian Corporates. In the list there are 4 Bajaj Group companies. On an average each director in this sample of 10 companies have 4+ directorships.

Table 40 and 41 details Companies with minimum total / listed directorship, respectively for entire board.

Table 40: Top 10 Companies whose Directors have minimum Directorships				
S. No	Company Name	Total Number of Directorships	Total Number of Directors	Average Total Directorships
1	Hindustan Copper Ltd	14	11	1.27
2	Caplin Point Laboratories Ltd	13	10	1.30
3	Kwality Ltd	8	6	1.33
4	Karur Vysya Bank Ltd	15	11	1.36
5	Lakshmi Vilas Bank Ltd	21	13	1.62
6	Marksans Pharma Ltd	10	6	1.67
7	Indian Oil Corporation Ltd.	17	10	1.70
8	Indraprastha Gas Ltd	17	10	1.70
9	Blue Dart Express Ltd	12	7	1.71
10	Steel Authority of India Ltd	26	15	1.73

Of the 10, 4 are PSUs, 2 are Banks where RBI has control over appointments, rest 4 can be said to have chosen board keeping in mind time commitments. On an average, time commitment of this group appears to be 1/8th of what is observed in case of maximum directorship Table 38.

Table 41: Top 10 Companies whose Directors have minimum Listed Directorships				
S. No	Company Name	Total Number of Listed Directorships	Total Number of Directors	Average Listed Directorships
1	Kwality Ltd	6	6	1.00
2	Karur Vysya Bank Ltd	11	11	1.00
3	Lakshmi Vilas Bank Ltd	13	13	1.00
4	Marksans Pharma Ltd	6	6	1.00
5	Bharat Electronics Ltd	11	11	1.00
6	ITI Ltd	6	6	1.00
7	Astral Poly Technik Ltd	7	7	1.00
8	VRL Logistics Ltd	12	12	1.00
9	BEML Ltd	9	9	1.00
10	Oracle Financial Services Software Ltd	8	8	1.00

Of the 10, 3 are PSUs, 2 are Banks where RBI has control over appointments, rest 5 can be said to have chosen board keeping in mind time commitments. On an average, time commitment of this group appears to be 1/4th of what is observed in case of maximum listed directorship Table 39.

In case of above companies, the individuals on the board are directors on the Board of the respective Company only.

ANNEXURE I

List of 20 PSBs that form part of the NIFTY 500 as on 31st March, 2017 which have been excluded from Sample.

S. No	Company Name	Entity Status
1	Allahabad Bank	Bank
2	Andhra Bank	Bank
3	Bank of Baroda	Bank
4	Bank of India	Bank
5	Canara Bank	Bank
6	Central Bank of India	Bank
7	Corporation Bank	Bank
8	Dena Bank	Bank
9	IDBI Bank Ltd	Company
10	Indian Bank	Bank
11	Indian Overseas Bank	Bank
12	Jammu & Kashmir Bank Ltd	Company
13	Oriental Bank of Commerce	Bank
14	Punjab National Bank	Bank
15	State Bank of India	Bank
16	Syndicate Bank	Bank
17	UCO Bank	Bank
18	Union Bank of India	Bank
19	United Bank of India	Bank
20	Vijaya Bank	Bank

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