

Fomer Sebi chief voices concern over ICICI Bank, Axis Bank issues

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M. Damodaran, former chairman at Securities and Exchange Board of India (Sebi). Photo: Hemant Mishra/Mint

Mumbai: There is concern over the governance premium in India in the wake of developments at private sector banks Axis Bank Ltd and ICICI Bank Ltd, M. Damodaran, a former chairman of Securities and Exchange Board of India (Sebi), said in an interview to *CNBC TV 18* on Tuesday.

According to Damodaran, there are far too many things at ICICI Bank that are “uncomfortable” and it is suffering from a huge reputation risk. “It is disquieting to use a very-very mild word and board should have appointed an independent inquiry authority, not do its own inquiry because there are stakeholders, there is reputation management. This can be done only by conducting an impartial inquiry, and that is what everyone does whether in India or outside,” Damodaran said in the interview.

“The mitigation for reputational risk resides at the level of the board and nowhere else,” he added.

News reports have raised questions about ICICI Bank sanctioning loans to Videocon because its chairman Venugopal Dhoot allegedly had dealings with NuPower, founded by Kochhar’s husband Deepak Kochhar. *Mint* could not independently ascertain the veracity of these allegations.

According to the former bureaucrat, ICICI Bank being a systemically important bank, stakeholders have reasonably higher expectations from it.

“What the board has done is to put it in telegraphic form, they seem to have jumped the gun,” Damodaran said.

Typically, when someone joins a firm at a senior management post he/she is required to give a list of firms one is associated with to the board companies you are associated with, Damodaran said.

“If a firm was set up subsequently, you are becoming a director of board. The minute it was set up and you perceive there was a conflict, which clearly there was, you were obliged to bring it to the notice of the board,” he said.

On Axis, where its chief executive and managing director Shikha Sharma decided to reduce her tenure on Monday and will now step down on 31 December, Damodaran said the board should have approached succession planning better. Sharma’s term was slated to end in June 2021.

If there were valid reasons to look at a fourth term of three years and the board decided collectively, when the regulator denied it there should have been a reason on why the board thinks Sharma should continue, said Damodaran.

“The way the decision is taken is that when the term is about to expire, you ask yourself two questions. Who is best to lead the bank in next three-five years? You don’t ask the question, should we give her another extension? That is not the way to approach succession issue,” said Damodaran.

