



India Inc.'s Boards – Shaken And Stirred?

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In its last issue, before it regrettably bowed out, Punch, the British cartoon magazine had a visual of a person walking out of the Met office with a rain umbrella on a bright sunny day. When asked by an acquaintance whether he had resigned from his position, the gentleman said, “I could not continue. The weather did not agree with me.”

It would be useful to check with departing Independent Directors whether they found the atmospherics in the boardroom a little too difficult to handle.

Fast forward to 12 months from now, and visualise the goings-on before and during a board meeting.

Fast Forward To December 2020....

A few minutes prior to the meeting, a bunch of serious men and women, with no time or inclination for levity, are marching into the boardroom armed with well-thumbed copies of the Companies Act, 2013, SEBI's LODR Regulations, 2015 (listing regulations), SEBI's PIT Regulations (prevention of insider trading), a basic book on accountancy, and the latest compilation of Secretarial Standards.

The more diligent among them might also carry a copy each of the compilation of the accounting standards as well as the code of conduct of the company.

As soon as the meeting commences, with one or more participants joining over by video conference, the roll call is taken.

One of the participants joining the meeting through video conferencing, is in the process of stating, for the record, that he/she has received all the agenda notes and that there is no one else in that room.

Exactly at that point, a bearer walks into the room with a tea tray, and checks what the director would like for snacks, to attend to his physical needs, while he grapples with the cerebral matters on the Board agenda.

One of the directors points out that the certification is incorrect since, at the relevant time, the director participating through video conferencing was not alone in his room. The latter is then requested to go through the process again, after ensuring that the tea boy does not surface with the snacks.

Strict compliance with the form of law and regulations is a sine qua non for the boardrooms of the future.

After the proceedings commence, with the requirement of quorum having been satisfied, the minutes of the previous meeting are taken up for confirmation.

One of the directors, somewhat apologetically, states that one portion of the minutes needs to be recast to accurately capture the discussions of the previous meeting.

Another director immediately pounces on him and says that under the Secretarial Standards, he should have sent his comments in time, and once the minutes are finalised, and placed before the board for noting, no fresh thinking on the subject is allowed.

It does not matter that the change suggested brings more clarity to the subject discussed, because form is more important than content.

This being a meeting to approve the quarterly accounts, all directors certified as having a basic knowledge of accountancy, are sitting straight in their chairs.

The accounts running into multiple pages, with multiple columns each, are carried around the table by a person from the secretarial department and each director is expected to sign wherever indicated.

The question of any director bringing his/her knowledge of basic accountancy into the proceedings does not arise since there is no luxury of time to even read the papers.

Every director seeks comfort from seeing who else has signed, and promptly affixes his/her signature. Even when sentenced for helping to cook up books, it is useful to have known persons as fellow inhabitants, wherever one is detained.

Any plea that even God cannot change the accounts, is unlikely to be accepted in a court on the grounds that the competence of God is not relevant to the proceedings, and also that God is not a regulated entity.



Chairs surround a table in the conference room inside a former nuclear bunker. (Photographer: Aidan Crawley/Bloomberg)

Next come the items relating to strategy.

The Act and SBI LODR indicate that the board has a role in the formulation and finalisation of strategy.

However, the **proficiency test** passed by the directors does not seem to have equipped them for dealing with these minor matters.

Studied silence is the preferred option of the sensible. The rest put their feet in their mouth with admirable alacrity. The Duke of Edinburgh would have applauded.

Succession planning is taken up next.

The Managing Director, who is the promoter's son/daughter, is in the process of persuading the father that one can become a Chairman Emeritus only in one's lifetime, and that the father has earned that position by building the company.

A couple of persons in the boardroom believe that the time has come for some humour, and remark on how long Prince Charles has had to wait, with no hope in sight, for assumptions of the throne.

At this stage, one Independent Director suddenly recalls SEBI LODR, and mentions to the Managing Director that the latter is too young to be a non-executive (since the Chairman's position is non-executive), and its best that he continues as Managing Director.

Yet another chips in to add that the Chairman and the Managing Director cannot be related, and that if the Managing Director is to continue, the Chairman has to vacate office.

At this moment, the oldest person in the room looks around the table to see whether others have begun thinking of him as a possible non-executive Chairman.

No one seems to have told him that in these troubled times, ambition should be made of less stern stuff.

There are several other items that need to be gone through and their range and variety are mind-boggling.

Someone recalls Lewis Carroll's poem and recites:

***"The time has come,' the Walrus said,
To talk of many things:
Of shoes - and ships - and sealing-wax -
Of cabbages - and kings -
And why the sea is boiling hot -
And whether pigs have wings."***

He was not the only person given to poetry in that room. Another remembered the next few lines:

***"But wait a bit,' the Oysters cried,
Before we have our chat;
For some of us are out of breath,
And all of us are fat!"***

It was clearly a pointer to adjourn to the next room, where exotic dishes, that were organic and low fat, were awaiting the tired directors.



One of John Lennon's schoolbooks which contains a drawing which allegedly inspired the song "I Am the Walrus,".
(Photographer: Suzanne Plunkett/Bloomberg News)

Meanwhile, shareholders and other stakeholders outside the boardroom visualised persons engaging in cerebral combat on matters germane to their interests. They had not reckoned with "proficient" directors certified for compliance and not for collaborative collective and collegial leadership.

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The views expressed here are those of the author and do not necessarily represent the views of BloombergQuint or its editorial team.