

'After the Tata-Mistry spat, people know how relevant independent directors are'

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The Tata-Mistry tussle has brought out the best in Independent Directors sitting in the boards of Tata companies and by applying their mind, they have upheld their independence feels M Damodaran, former Chairman of the Securities and Exchange Board of India. In an interaction with *BusinessLine*, he explains what independence in a Board room is all about and how the fraternity of Independent Directors have made themselves count.

There are several issues that have emerged since the Mistry-Tata fight started. What are the two biggest concerns related to corporate governance that have emerged, according to you?

A huge positive that has emerged is that the relevance of Independent Directors has increased in public perception. Till now, no one was taking the institution of independent directors so seriously. Two, there is more focus on boards and how boards — as a collective entity — are conducting themselves. What are the concerns? Communication could have been better. There is a sense of incomplete communication, addressing only part of the issues and lacking in clarity for the shareholders. These need to be addressed.

Does this further highlight Indian Inc's poor track record when it comes to corporate governance? If a conglomerate like Tata group can falter, can other Indian entities be beyond suspicion of serious violations, which are yet to come out in public?

It is not about size. Let us look at it positively. A group that is at the height of value, systems, ethics, etc in public perception. If there are issues raised regarding that kind of a group, people will look at his and say I need to put my house in order before something like this strikes me.

So, there is a kind of demonstration effect that it will have on other groups.

There seems to be serious breaches by both Tata and Mistry. What can minority shareholders do here on?

If they believe they have been short-changed, they can take up the issue with the management, they can take to task the Independent Directors who have the responsibility of protecting their interest.

If they have evidence they can take it up with the exchanges or the Regulator. If a hundred of them get together they can allege there was something wrong and there is suspicion you could see India's first class action suit.

Does this further sully the concept of Independent Directors? It seems the so-called Independent Directors are taking sides, otherwise why is Mistry fit to be chairman of Tata Chem and not fit for Tata Global Beverages?

Let me look at it the other way. It is not a question of who is right or wrong. The real issue is all of them have applied their minds and have arrived at a certain conclusion and articulated that. They might not agree but that doesn't matter. To me, the ultimate test of independence is that people have thought differently.

Whether they have been persuaded to think differently or have been biased, I'm not in a position to speculate as I have no information. But the fact that there is disagreement even among independent directors strengthens independence.
