EXITING THE ECHO CHAMBER

THE LEGAL DILEMMA BEHIND INDEPENDENT DIRECTOR'S RESIGNATIONS

BEGUR & PARTNERS
ADVOCATES & SOLICITORS

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Over the past years, Indian corporate governance has seen a disconcerting trend, an increasing number of mid-term resignations by independent directors from boards of public listed companies. While official resignation letters often cite "personal reasons" or "professional preoccupations", the opacity of these justifications belies a far more structural concern: "***Are independent directors genuinely empowered to fulfil their statutory responsibilities, or is their role increasingly symbolic in promoter-dominated boards?***".

THE DISCREET EXIT: "PERSONAL REASONS" OR GOVERNANCE RED FLAGS?

THE GROWING PATTERN: DATA AND DISCLOSURES

According to Prime InfoBase, in 2024 alone, 2,465 independent directors resigned from boards of Indian companies, outpacing the 2,311 new appointments made in the same period. According to the second edition of the "Board Matters: India Board Analytics Report" by Russell Reynolds Associates further revealed that 94% of mid-term cessations in NSE-listed companies were resignations, with only a handful explicitly citing governance-related concerns. The most commonly cited reasons were "preoccupation with other commitments" and "personal reasons". However, such language often serves as a euphemism for more serious concerns, such as: (i) lack of access to critical information, (ii) ethical disagreements with management, (iii) exposure to potential liability, and
(iv) frustration with ineffective governance structures.

A. PERSONAL REASONS – A CONVENIENT COVER?

The phrase "personal reasons" has become a recurring justification in resignation letters across both Indian and global boards. But these explanations frequently obscure the reality of troubled board environments. Independent directors, particularly in crisis situations, have resigned to distance themselves from governance breakdowns while avoiding reputational or legal exposure.

FOR INSTANCE:

- **Paytm Payments Bank Limited (PPBL):** On **February 1, 2024**, Manju Agarwal, who had been serving on the PPBL board since 2021 submitted her resignation citing personal commitments. However, her departure coincided with the RBI's regulatory action asking it to stop any banking activities whatsoever, raising questions about the true nature of the resignation.

- **IL&FS Financial Services Limited (IFIN):** In **October 2018**, four independent directors - Renu Challu, Surinder Singh Kohli, Shubhalakshmi Panse, and Uday Ved resigned from the board amid rising financial distress. While the company did not provide specific reasons for their resignations, the timing coincided with a default on a Letter of Credit to IDBI Bank, raising concerns over governance and financial stability. The independent directors were criticized for not exercising due diligence or challenging key decisions. Their exit coincided with the IL&FS crisis, with liabilities over INR 90,000, rattled investor confidence and disrupted the financial sector.

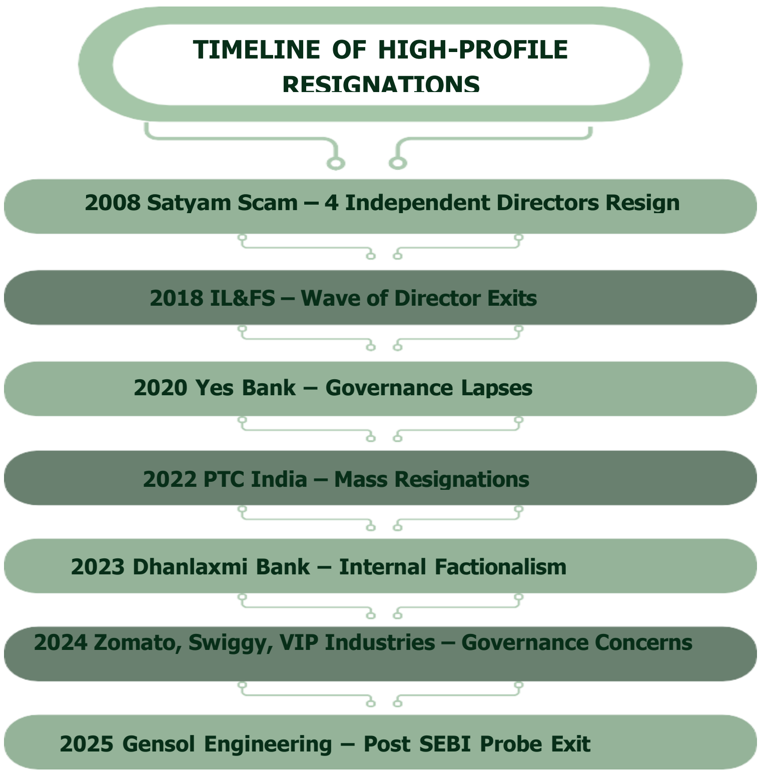
- **Sathyam Computer Services Limited (Sathyam):** In **December 2008**, four independent directors resigned from Sathyam, with most of them not providing specific reasons to the board. However, Dr. Mangalam Srinivasan, one of the independent directors, cited concerns over questionable decisions, particularly the proposed Maytas acquisitions, and took moral responsibility for not opposing them earlier. A month later, in **January 2009**, the Satyam scam, one of India's largest corporate frauds, was exposed. The scandal revealed severe lapses in corporate governance, with independent directors, especially audit committee members, criticized for failing to exercise due diligence and detect financial irregularities.

- **R & B Denim Limited:** In **September 2023**, Radhika Arun Kanodiya resigned from the board, citing "preoccupation" and "other commitments". Her resignation came shortly after her appointment in **August 2023**, prompting questions about the sudden exit. The company did not provide further details, and no official disclosures elaborated on the circumstances.

- **Eternal Limited (Zomato):** On **October 11, 2024**, Gunjan Tilak Raj Soni resigned as an independent director of Eternal Limited, citing work commitments. The company confirmed there were no other material reasons for her departure. Her exit comes just weeks after Zomato co-founder and Chief People Officer Akriti Chopra elevated to co-founder ahead of its IPO in 2021 also stepped down, raising concerns about board stability at Zomato.

- **Swiggy Limited:** Two independent directors, Mallika Srinivasan in **2024** and Sahil Barua in **2025**, resigned from Swiggy's board citing increasing business obligations. Their exits came during a crucial period as Swiggy was preparing for its IPO, raising concerns about board continuity and governance amidst rising competitive and operational pressures.

Globally, similar trends are evident. In Australia, Denise McComish, a non-executive director at Mineral Resources, resigned amid allegations of tax evasion and fund misuse by the company's managing director. Her exit occurred as regulators, including ASIC, launched formal investigations.



B. GOVERNANCE RED FLAGS

Several high-profile resignations in India have exposed the fragile state of boardroom independence:

- **Gensol Engineering Ltd.:** In **April 2025**, three independent directors of Gensol Engineering, Arun Menon, Harsh Singh, and Kuljit Singh Popli resigned after SEBI launched a probe into promoters Anmol and Puneet Jaggi over alleged INR 262 crore fund misuse. Menon flagged financial mismanagement; Popli cited governance concerns. Their exit followed that of Director Rajesh Jain in March amid a liquidity crisis. The resignations came as SEBI barred the promoters, and regulators launched broader audits, shaking investor confidence and triggering a sharp stock decline.

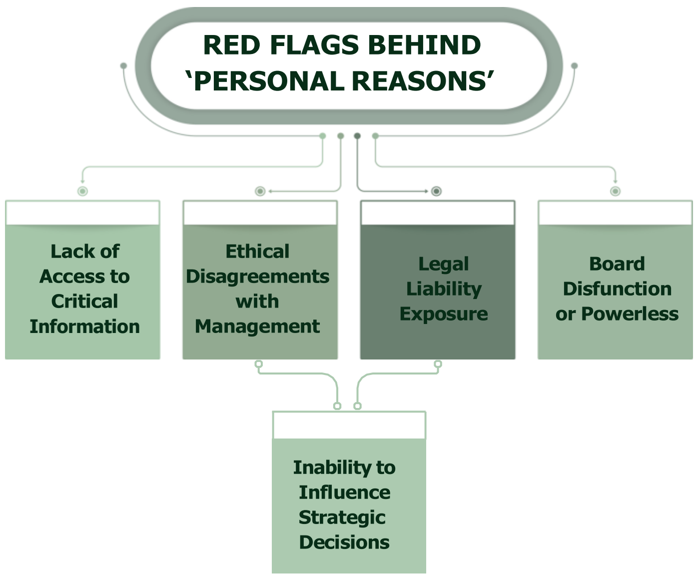
- **PTC India Ltd.:** In **December 2022**, four PTC India independent directors, Sushama Nath, Jayant Gokhale, Subash Mundra, and Preeti Saran resigned within 48 hours, citing governance lapses and mismanagement at subsidiary PTC Financial Services (PFS). Jayant Gokhale flagged board dysfunction and non-cooperation with a forensic audit. Their exit followed similar resignations at PFS in January. The mass departures led to a disclaimer on H1 FY23 results and regulatory scrutiny from SEBI and RBI.

- **Dhanlaxmi Bank:** In **September 2023**, Sridhar Kalyanasundaram resigned from Dhanlaxmi Bank's board, citing internal factionalism, lack of banking expertise, whistleblower issues, and disregard for legal advice. His exit followed a removal notice from the major shareholder Ravindran Pillai ahead of the 96th AGM and triggered a nearly 9% drop in the bank's share price amid governance concerns.

These cases reinforce a disconcerting pattern, when independent oversight is most critical, directors often exit instead of challenge.

- **VIP Industries:** In **June 2024**, Nisaba Godrej resigned from VIP Industries' board, citing differences over leadership accountability and succession planning. Reappointed as an independent director in 2021 for a term till March 2026, she had fully participated in FY23 meetings and waived sitting fees. Her exit followed MD Anindya Dutta's resignation in August 2023 for personal reasons and came amid reports of a potential promoter stake sale, raising investor concerns over governance and strategic direction.

- **Yes Bank:** In **January 2020**, Yes Bank independent director Uttam Prakash Agarwal resigned over serious governance lapses, opaque capital raises, and CEO Ravneet Gill's undue board influence. He flagged compliance failures and alleged insider trading, urging SEBI and the Finance Ministry to probe fundraising irregularities, exposing deep trust and transparency issues.



REGULATORY RESPONSES: A PUSH TOWARD TRANSPARENCY

Recognizing the opacity and rising trend of such exits, SEBI introduced key amendments to the SEBI Listing Obligations and Disclosure Requirements (LODR) Regulations, 2015 ("**LODR Regulations**"), in July 2023. These changes mandate that independent directors provide detailed reasons for their resignation, especially when citing "personal reasons". SEBI's goal was to:

- Promote effective appointments that serve shareholder interests;
- Enhance director accountability; and
- Enable regulators to identify and investigate red flags in governance culture.

Further proposals include a mandatory one-year cooling-off period before resigning independent directors can join another board, an effort to prevent regulatory arbitrage and ensure thoughtful disengagement.

THE LEGAL FRAMEWORK: RESPONSIBILITY WITHOUT REAL POWER?

Independent directors are appointed under Section 149(4) of the Companies Act, 2013 ("**Companies Act**") which requires listed entities to have at least one-third of their board composed of independent directors. These individuals are entrusted with safeguarding minority shareholder interests, overseeing financial disclosures, and ensuring compliance with the company's statutory obligations. Under SEBI LODR Regulations, they also serve on critical committees, such as the Audit Committee and the Nomination & Remuneration Committee, ensuring a check on executive actions.

However, this statutory power is undermined in practice by promoter dominance and information asymmetry. While Section 149(12) of the Companies Act offers limited personal liability (only for acts done with their knowledge or consent), distinguishing between passive presence and willful negligence can be challenging during regulatory scrutiny. In promoter- controlled companies, where power is concentrated and information is selectively disclosed, this legal grey zone creates both reputational and personal risks for independent directors.

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CONCLUSION

The recent spate of resignations is not routine churn; it is a governance alarm bell. It exposes a deeper rot in corporate governance, where independent directors are walking away not out of choice, but out of helplessness. This departure reflects systemic failure, not individual fatigue, and demands immediate regulatory scrutiny and reform.

SEBI must enforce mandatory, public, and detailed disclosures on every board exit and no vaguer or boilerplate reasons. Whistleblower systems must be strengthened, not buried in policy manuals and audit committees need real teeth. Most importantly, promoter overreach must be ruled in through stricter, tier-based independence criteria for large and high-risk firms. Independent directors cannot uphold integrity if they remain legally exposed and informationally starved. Mandatory D&O insurance, safe harbor provisions, and full and timely access to internal data is non-negotiable. Governance reforms must move beyond box-ticking to enforce real structural accountability. Independent directors cannot remain symbolic placeholders. They must be empowered to question, resist, and act. Without that, the promise of oversight collapses into a facade, betraying both shareholder faith and public trust.

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