

HAPPY NATIONAL DEN

To those who don't take precautions. For others it's National

Reference: World Health Organisation, <https://www.who.int/news-room/fact-sheets/detail/dengue-and-severe-dengue> (Accessed 5th May 2026)

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'Independent director': Has it run its course?

April 29, 2026, 9:32 PM IST / Dr Harpreet Kaur in Voices, India, TOI

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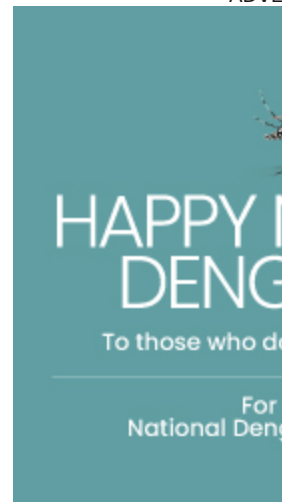
On March 23, 2026, Sebi released a statement in the wake of the sudden resignation by one of the independent directors of the HDFC Bank that the 'Independent directors need to act responsibly, and back up any insinuations with evidence.' The fierce consequence of such resignation was steep loss borne by investors when, after the resignation, HDFC Bank's shares reported to drop as much as 8.7%, which was the steepest

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fall in more than two years. Similarly, the US-listed American Depository Receipts fell by more than 7% overnight, wiping out more than Rs 1 lakh crore of investors wealth within hours and raising questions about governance at India's largest private lender. This naturally leads us to question the faith and trust placed in the mechanism of independent directors on the board of companies, which was introduced to ensure improved corporate governance, both by the legislature and the regulator.

The reasons provided by the resigning independent director is also worth considering. As reported, resigning independent director in HDFC Bank was troubled by 'certain happenings and practices' within the bank that were not in alignment with his personal values and ethics, without specifying precise reasons. While this may be indicative of the prevalence of a systemic pattern of questionable practices and happenings in HDFC, the timing of the resignation is deeply troubling. Independent directors are considered to be the first line of defence to call out negative practices. But when a long period of two years marked by underlying concerns gets flagged in the resignation, it clearly marks the ineffectiveness of the statutory scheme pertaining to independent directors, as the Companies Act, 2013

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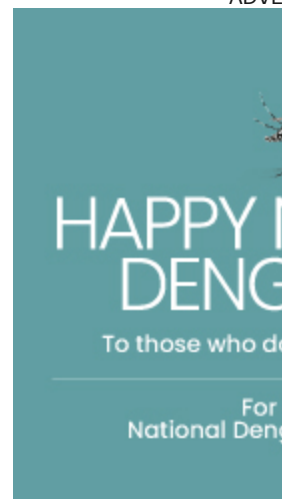


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requires such directors to ensure that their concerns about the running of a company are recorded in the minutes of the board meeting.

This is not an isolated instance of an independent director citing personal circumstance abandoning perhaps a sinking ship, instances of Gensol Engineering Limited (GEL) (2025), Hardwyn India Ltd (2025), The Bombay Burma Trading Corporation Ltd (2024) and Waree Energies Ltd (2025) being case in point. Such generalised reasons mask the disclosure of real causes of resignations and lead to information asymmetry for investors when their primary duty to ensure transparency to protect the interests of minority shareholders. In the present case, the independent director, by his very account, observed the lapses for two whole years before resigning, and even after failed to articulate precisely what those lapses were. The loser in such situation is neither the company, nor the independent director, rather the general public as shareholder, who always remain in the dark, and only become aware of the gravity of the situation, when its beyond redemption.

Interestingly, SEBI in its Regulation 30 read with Schedule III, Part A, Para A(7B and C) of Regulations, 2015 of Listing

Obligations and Disclosure Requirements has mandated resigning directors to mention that the reasons specified in their resignations are the real reasons behind their resignations and that there are no other hidden reasons that compelled them to resign. The obvious reason for bringing such statements was to encourage directors to share true information with the investors and the regulator. SEBI has also mandated listed companies to disclose resignation letters of executive and non-executive directors, when they resign from their positions. Such disclosure has to be accompanied by detailed reasons for the resignations. The company is also required to disclose the list of all other listed entities in which the resigning directors continue to hold directorships and membership of any committee. While there is formal compliance with the requirement through statement of personal circumstance, clearly there is a massive potential for abuse. Since any enquiry into whether the reason is legitimate or otherwise gets barred by concerns of privacy. In such a situation, SEBI must test whether the reasons are 'real' or otherwise based on the further actions of the independent director. In instance, where the director just jumps ship in a troubled enterprise but continues in other, or after resignation joins another enterprise, clearly then such an action would put the

'real'ness of the resignation into serious doubt. Unless this loophole is clearly plugged, the current regulation runs the danger of legitimatising what is clearly an abusive behaviour.

Reliance placed by the Companies Act on independent directors is indicated by the fact that in case decisions taken at any Board meeting in absence of independent directors, decision is required to be circulated to all directors and will be confirmed only in it is ratified by at least one independent director, audit committee should have majority of independent directors, Nomination and Remuneration Committee should have at least half of non-executive directors to be as independent directors. The audit committee is the most important committee that can inquire for internal control systems from the auditors and review financial statements before submission to the Board.

Given the trust imposed on independent directors by the Companies Act, such resignations have serious questions whether we should continue depending upon presence of independent directors in companies or we identify some alternatives in addition to such reliance. Sufficient evidence is available indicating that that it is time for serious

reconsideration rather than being reactive to such failures.

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TOP COMMENT



Ashok

16 days ago

Have been a little sceptical about the utility of this arrangement. Independent directors are appointed at the discretion of the management, serve at their pleasure. In the Indian ... [READ MORE](#)

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