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Analysis

What If NVIDIA Were an Indian Company?

The Jensen Huang controversy and the lessons for India Inc.

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Key Takeaways

- A personal relationship is not misconduct. Concealing the conflict it creates may be, because every related decision is then in doubt
- Without an express disclosure rule, a board can remove a CEO but may struggle to prove cause. A well-drafted code makes concealment a breach, without proof of loss
- Indian law is stricter than US law. What India lacks is private enforcement, which leaves the work to boards and regulators
- Only an independent investigation turns an allegation into a finding the board can act on, to terminate for cause or to clear the CEO. The board, the company and the CEO need separate counsel. For private equity sponsors, the finding can decide whether management equity is bought back at fair value or at cost

Huang's resignation raised questions beyond espionage

A CEO's private life is not the board's business. People fall in and out of relationships, and society may judge that as it will. For a business, the only question is whether everyone has been treated fairly: shareholders, employees and others who deal with the company. That turns on whether any law was broken, and by whose lapse: the individual's, the board's or the company's. Viewed neutrally, the episode shows Indian boards what to look for and how to prepare for similar situations.

The NVIDIA controversy began with reports of Jensen Huang's relationship with Alice Huang, a former executive of NVIDIA customer Megaspeed International, whom US authorities reportedly suspected of links to Chinese intelligence. That remains unproven. Megaspeed had been under investigation in Singapore and the US since 2025 over suspected diversion of chips to China. In October 2026, NVIDIA and Huang publicly described the dealings as not unusual. In November, he admitted to being unfaithful to his wife. The board opened an independent investigation and, in the same statement, declared confidence in him. Reports then emerged of relationships with NVIDIA employees, and Reuters reported that Huang had described his dealings with Alice Huang to the general counsel as ordinary customer business. The independent directors appointed Wachtell, Lipton, Rosen & Katz. Shareholders sued within days. Huang resigned, and NVIDIA has not said why.

Conflicts are common, and boards manage them every day. The difficulty arises when the board is not told.

Indian law would test the individual, the board, and the company separately

At the individual level, his duty was to tell the board, at the latest when the customer came under investigation. Once he called the dealings ordinary to the general counsel and the press, an omission became a misstatement, which SEBI could examine as misleading the market.

At the board level, the duty was diligence. The investigations were public from 2025, and a short seller alleged the relationship in May 2026. The question is what the directors asked after each warning. The board also declared confidence in the CEO on the day it opened the inquiry. However, the boards should announce the process, not the result.

The Company, however, answers for what its officers say. If the October statements were wrong, it must correct them, and it is exposed under the LODR Regulations and SEBI's unfair trade practices regulations. It must also inform the exchanges within hours under Regulation 30, protect any employee named from pressure or retaliation, and keep a general counsel who is now a witness out of the response.

A conflict exists before any decision is affected

Once an undisclosed relationship emerges, every decision it touched is open to challenge, and the company may struggle to show that any was independent.

Employment conflict. A CEO in a relationship with a subordinate controls her pay, promotion and exit, and each decision can be challenged.

Commercial conflict. A relationship with a customer's or supplier's executive bears on pricing, credit and confidential information, in both directions.

The NVIDIA reports involve both, at a company whose sales are shaped by US export controls.

Indian law is broader than commonly assumed

Section 166(4) of the Companies Act, 2013 bars a director from any situation in which his interest conflicts, or possibly may conflict, with the company's. In practice, boards manage such conflicts through disclosure and recusal, which is why non-disclosure is the real breach. Section 184 and Regulation 26(5) of the LODR Regulations require disclosure of financial and commercial interests, not relationships. Section 166(4) binds only directors and is rarely tested, so a CEO who is not a director falls outside it.

Elsewhere, Indian law is stricter than US law. The duty to avoid conflicts is statutory and carries a penalty. In the US, it rests on case law. Every director and senior manager must affirm compliance with the code each year under Regulation 26(3), so concealment also means a false affirmation. Independent directors cannot serve beyond two five-year terms, so an Indian board could not look like NVIDIA's long-tenured one. An Indian listed company must also publish a departing CEO's reasons. NVIDIA gave none. What India lacks is private enforcement through litigation.

Without an express rule, a board can remove a CEO but struggle to prove cause

Imagine an Indian CEO who conceals a relationship with a major customer's executive. The board finds no favourable pricing and no loss. If the code only asks executives to avoid conflicts, what has he done wrong?

The board may remove him, but proving cause is harder, and cause decides severance, unvested equity and clawback. An express rule makes three breaches provable, none requiring proof of loss.

Non-disclosure. Not declaring a defined relationship to a defined person.

Misleading the company. Giving a false account, including to the general counsel or an investigation.

Breach of safeguards. Joining a decision from which the executive was recused.

The difference is between suspecting a conflict and establishing a breach. Intel's CEO resigned in 2018 for breaching its non-fraternisation policy, without any loss being shown. Concealment is often the breach a board can prove. McDonald's sued Steve Easterbrook, alleging he misled its investigation, and recovered about US$105 million. BP treated Bernard Looney's 2023 departure as a dismissal for serious misconduct after concluding he had not been fully transparent, and withheld about £32 million.

Indian codes should require disclosure and make concealment a breach

Regulation 17(5) requires listed companies to adopt codes of conduct, but most are silent on personal relationships. Codes should require directors and senior management to disclose close personal relationships, including intimate ones, with employees they can influence or decision-makers at material counterparties. BP introduced such a rule in 2024.

Few executives will disclose. That is not the point. The rule gives the board a breach it can act on when the relationship surfaces. The executive should declare the conflict, not the intimacy, to one person. For a CEO, that is the audit committee chair. Disclosure should lead to recusal or a changed reporting line, not discipline, and deliberate breaches should fall within the definition of cause.

From May 2027, the declaration will also be personal data under the DPDP Act, 2023, usable only to manage the conflict, kept secure and erased once no longer needed.

The need for independent counsel and investigation

Without an investigation, the board can neither establish cause nor clear the executive. Under section 149(12), an independent director who ignores a credible complaint will struggle to show diligence. Non-conflicted independent directors should control the inquiry and appoint external counsel, who engages forensic experts under privilege. In India, the start of a forensic audit and its final report are disclosable under Schedule III of the LODR Regulations, so framing matters from day one.

The board, the company and the executive should have separate counsel where their interests diverge. The board's counsel advises the investigating directors. The company's counsel protects its corporate and regulatory position. The executive's counsel represents him personally.

ICICI Bank's 2018 inquiry, led by Justice B.N. Srikrishna, found its CEO had breached the code, and the board treated her exit as termination for cause and sought to recover bonuses. Infosys's 2019 inquiry cleared its CEO. Many other cases, including Coffee Day Enterprises and BharatPe, show why board-led investigations matter. In each case, the investigation, not the allegation, decided what the company could do.

Private equity sponsors have the most at stake

All of this is particularly important for private equity-controlled companies. A sponsor gives wide authority to a CEO it has chosen and relies on his disclosures. Good or bad leaver status typically decides whether his equity is bought back at fair value or at cost, and an undisclosed conflict can surface in exit diligence. Disclosure obligations, cause definitions and investigation rights belong in the documents at acquisition. A sponsor may control the company. It should not dictate the findings of an investigation into its management.

The test is the same for every board. It is not whether a board can remove a powerful CEO once a scandal breaks. It is whether the rules, and the independence to enforce them, were in place before the crisis.

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