

Corporate Governance

3.1 Corporate Governance

The Companies Act, 2013 was enacted on 29 August 2013 replacing the Companies Act, 1956. In addition the Ministry of Corporate Affairs has also notified Companies Rules 2014 on Management and Administration (March 2015), Appointment and Qualification of Directors (January 2015), Meetings of Board and its powers (March 2015) and Accounts (October 2014). The Companies Act, 2013 together with the Companies Rules provide a robust framework for corporate governance. The requirement inter alia provide for:

- Qualifications for Independent Directors along with the duties and guidelines for professional conduct (Section 149(8) and Schedule IV thereof).
- Mandatory appointment of one woman director on the board of listed companies {Section 149(1)}.
- Mandatory establishment of certain committees like Corporate Social Responsibility Committee {Section (135)}, Audit Committee {Section 177(1)}, Nomination and Remuneration Committee {Section 178(1)}, and Stakeholders Relationship Committee {Section 178(5)}.
- Prescribed a minimum of four meetings of Board of Directors every year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board {Section 173(1)}.

3.1.1 SEBI guidelines on Corporate Governance

With the enactment of the Companies Act 2013, SEBI has amended (April and September 2014) Clause 49 of the listing agreement to align it with the Corporate Governance provisions specified in the Companies Act, 2013.

3.1.2 DPE guidelines on Corporate Governance for Central Public Sector Enterprises

The DPE issued guidelines on Corporate Governance in November 1992 on the inclusion of non -official directors on the Board of Directors. DPE issued further guidelines in November, 2001 providing for inclusion of independent directors on the Board of Directors. To bring in more transparency and accountability in the functioning of CPSEs, the government in June, 2007 introduced the guidelines on Corporate Governance for CPSEs. These guidelines were voluntary in nature. These guidelines were implemented for an experimental period of one year. On the basis of the experience gained during this period, it was decided to modify and reissue the DPE guidelines in May, 2010. These guidelines have been made mandatory and applicable to all CPSEs. The guidelines

issued by DPE covered areas like composition of Board of Directors, composition and functions of Board committees like Audit Committee, Remuneration committee, details on subsidiary companies, disclosures, reports and the schedules for implementation. All references to DPE guidelines in this chapter refer to the DPE guidelines issued in May, 2010 which are mandatory to all CPSEs. DPE has also incorporated Corporate Governance as a performance parameter in the MoUs of all CPSEs. In so far as listed CPSEs are concerned, they are required to comply with the SEBI guidelines on Corporate Governance in addition to complying with provisions in DPE guidelines.

3.1.3 Review of compliance by selected CPSEs of the Corporate Governance provisions

As on 31 March 2015, there were 570 Central Government Public Sector Enterprises (CPSEs) under the audit jurisdiction of the CAG of India. In the context of the policy of the government to grant more autonomy to the CPSEs, Corporate Governance has assumed importance. Under the Maharatna Scheme, CPSEs are expected to expand international operations and become global giants, for which effective Corporate Governance is imperative.

For the purpose of the review, an assessment framework was prepared based on the provisions contained in the Companies Act, 2013, guidelines issued by SEBI (April and September 2014) and the DPE guidelines on corporate governance (May 2010). The assessment framework consists of the composition and functions of the Board of Directors, code of conduct for Board members, composition and the terms of reference of Audit Committees etc.

The review covers compliance by CPSEs listed in various stock exchanges with the Corporate Governance provisions reflected in the assessment framework. The review covers 49 listed CPSEs under administrative control of various Ministries for the year ended 31 March 2015. List of the CPSEs is given in the **Appendix-VI**. The audit findings of the review are presented in the following paragraphs.

3.2 Board of Directors

3.2.1 Non-executive Directors on the Board

Clause 49 (II) (A) (1) of listing agreement stipulates that the Board of Directors of the company shall have an optimum combination of executive and non-executive directors with not less than 50 *per cent* of the Board of Directors comprising non-executive directors. In the CPSEs listed in Table 3.1, the non-executive directors constituted less than 50 *per cent* of the total Board strength.

Table 3.1: Number of non-executive directors in CPSEs

| Sl. No | Name of the PSE | Total Directors | No. of Non-executive Directors | Percentage |
|--------|--|-----------------|--------------------------------|------------|
| 1 | Andrew Yule and Company Limited | 6 | 2 | 33 |
| 2 | Balmer Lawrie & Co Limited | 7 | 2 | 29 |
| 3 | Bharat Electronics Limited | 12 | 5 | 42 |
| 4 | Bharat Heavy Electricals Limited | 10 | 4 | 40 |
| 5 | Bharat Petroleum Corporation Limited | 9 | 4 | 44 |
| 6 | Coal India Limited | 7 | 2 | 29 |
| 7 | Engineers India Limited | 10 | 4 | 40 |
| 8 | The Fertilizers and Chemicals Travancore Limited | 6 | 2 | 33 |
| 9 | GAIL (India) Limited | 6 | 1 | 17 |
| 10 | Indian Oil Corporation Limited | 10 | 4 | 40 |
| 11 | National Aluminium Company Limited | 10 | 4 | 40 |
| 12 | Neyveli Lignite Corporation Limited | 8 | 2 | 25 |
| 13 | NMDC Limited | 11 | 3 | 27 |
| 14 | Oil and Natural Gas Corporation Limited | 9 | 3 | 33 |
| 15 | Rural Electrification Corporation Limited | 4 | 1 | 25 |
| 16 | SJVN Limited | 6 | 2 | 33 |
| 17 | Steel Authority of India Limited | 11 | 4 | 36 |
| 18 | The Shipping Corporation of India Limited | 8 | 2 | 25 |

3.2.2 Independent Directors

The Board is the most significant instrument of Corporate Governance. The presence of independent representatives on the Board, capable of taking an independent view on the decisions of the management are widely considered as a means of protecting the interests of shareholders and other stakeholders. In terms of Clause 49 (II) (A) (2) of listing agreement and Para 3.14 of the DPE guidelines, where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise of independent directors and, in case he is an executive director, at least half of the Board should comprise of independent directors. However, as per Clause 49 (II) (B) (1), 'independent director' shall mean a non-executive director, other than a nominee director of the company.

3.2.2.1 The review of composition of the Board of Directors revealed that the CPSEs listed in Table 3.2 did not have the required number of independent directors on their Board:

Table 3.2: CPSEs not having required number of independent directors

| Sl. No. | Name of the CPSE | Total | Status of Chairman | Required | Actual |
|---------|--|-------|--------------------|----------|--------|
| 1 | BEML Limited | 11 | Executive | 6 | 3 |
| 2 | Bharat Electronics Limited | 12 | Executive | 6 | 3 |
| 3 | Bharat Heavy Electricals Limited | 10 | Executive | 5 | 2 |
| 4 | Bharat Petroleum Corporation Limited | 9 | Executive | 5 | 2 |
| 5 | Chennai Petroleum Corporation Limited | 10 | Non-Executive | 4 | 1 |
| 6 | Container Corporation of India Limited | 9 | Executive | 5 | 3 |
| 7 | Engineers India Limited | 10 | Executive | 5 | 3 |

| Sl. No. | Name of the CPSE | Total | Status of Chairman | Required | Actual |
|---------|---|-------|--------------------|----------|--------|
| 8 | Hindustan Copper Limited | 10 | Executive | 5 | 4 |
| 9 | Hindustan Fluoro Carbons Limited | 6 | Non-Executive | 2 | 1 |
| 10 | Hindustan Petroleum Corporation Limited | 11 | Executive | 6 | 4 |
| 11 | Hindustan Organic Chemicals Limited | 7 | Executive | 4 | 1 |
| 12 | India Tourism Development Corporation Limited | 7 | Executive | 4 | 2 |
| 13 | Indian Oil Corporation Limited | 10 | Executive | 5 | 3 |
| 14 | ITI Limited | 9 | Executive | 5 | 3 |
| 15 | KIOCL Limited | 10 | Executive | 5 | 4 |
| 16 | Mahanagar Telephone Nigam Limited | 6 | Executive | 3 | 1 |
| 17 | MMTC Limited | 12 | Executive | 6 | 5 |
| 18 | MOIL Limited | 10 | Executive | 5 | 4 |
| 19 | National Aluminium Company Limited | 10 | Executive | 5 | 2 |
| 20 | National Fertilisers Limited | 9 | Executive | 5 | 3 |
| 21 | NHPC Limited | 7 | Executive | 4 | 2 |
| 22 | NTPC Limited | 11 | Executive | 6 | 2 |
| 23 | Oil India Limited | 12 | Executive | 6 | 5 |
| 24 | ONGC Limited | 9 | Executive | 5 | 1 |
| 25 | Power Finance Corporation Limited | 7 | Executive | 4 | 3 |
| 26 | Power Grid Corporation of India Limited | 12 | Executive | 6 | 5 |
| 27 | Rashtriya Chemicals & Fertilizers Limited | 7 | Executive | 4 | 1 |
| 28 | State Trading Corporation Limited | 8 | Executive | 4 | 2 |
| 29 | Steel Authority of India Limited | 11 | Executive | 6 | 2 |

3.2.2.2 There were no independent directors on the Board in respect of CPSEs given in Table 3.3.

Table 3.3: CPSEs not having any independent directors

| Sl. No. | Name of the CPSE |
|---------|--|
| 1 | Andrew Yule & Company Limited |
| 2 | Balmer Lawrie & Co. Limited |
| 3 | Balmer Lawrie Investments Limited |
| 4 | Coal India Limited |
| 5 | The Fertilizers and Chemicals Travancore Limited |
| 6 | GAIL (India) Limited |
| 7 | Hindustan Cables Limited |
| 8 | HMT Limited |
| 9 | Madras Fertilisers Limited |
| 10 | Mangalore Refinery & Petrochemicals Limited |
| 11 | National Building Construction Corporation Limited |
| 12 | Neyveli Lignite Corporation Limited |
| 13 | Rural Electrification Corporation Limited |
| 14 | SJVN Limited |
| 15 | Scooters India Limited |
| 16 | The Shipping Corporation of India Limited |

3.2.2.3 Formal letter of appointment to Independent Directors

Clause 49 (II) (B) (4) (a) of the listing agreement (April 2014) stipulates that the company shall issue a formal letter of appointment to independent directors in the manner as

provided in the Companies Act 2013. As per schedule IV of the Companies Act 2013, the appointment of Independent Directors shall be formalised through a letter of appointment which shall set out the terms and conditions of appointment. However it was observed that, in majority of the listed CPSEs, independent directors were appointed by the Government of India and no appointment letters detailing the terms and conditions were issued by the CPSEs listed in Table 3.4.

Table 3.4: CPSEs where no appointment letters issued

| Sl. No. | Name of the CPSE |
|---------|---|
| 1 | Hindustan Petroleum Corporation Limited |
| 2 | Mahanagar Telephone Nigam Limited |
| 3 | MMTC Limited |

3.2.2.4 Training of Independent Directors

Clause 49 (II) (B) (7) (a) & (b) stipulate that the company shall provide suitable training to independent directors to familiarize them with the company, their roles, rights, responsibilities in the company, nature of the industry in which company operates, business model of the company etc. In addition, the company shall also disclose the details of such training in the Annual Report. However, it was observed that in the following CPSEs listed in Table 3.5, no such training was conducted for Independent Director.

Table 3.5: CPSEs where no training conducted for the Independent Directors

| Sl. No. | Name of the CPSE |
|---------|--|
| 1 | Hindustan Fluoro Carbons Limited |
| 2 | Hindustan Organic Chemicals Limited |
| 3 | Hindustan Photo Films Mfg. Company Limited |
| 4 | HMT Limited |
| 5 | KIOCL Limited |
| 6 | Mahanagar Telephone Nigam Limited |
| 7 | MMTC Limited |
| 8 | National Fertilisers Limited |

In contravention of amendment to Clause 49 (II) (B) (7), the details of training were not disclosed on the website and a web link thereto in the Annual Report of the CPSEs given in Table 3.6.

Table 3.6: CPSEs where no training details given on website

| Sl. No. | Name of the CPSE |
|---------|---|
| 1 | GAIL(India) Limited |
| 2 | Indian Oil Corporation Limited |
| 3 | National Aluminium Company Limited |
| 4 | Rashtriya Chemicals & Fertilisers Limited |
| 5 | The Shipping Corporation of India Limited |
| 6 | Steel Authority of India Limited |

3.2.3 Nominee Directors

As per para 3.1.3 of DPE guidelines (May 2010), the number of Nominee Directors appointed by Government/other CPSEs shall be restricted to a maximum of two.

However, it was observed that in the two CPSEs detailed in Table 3.7, the number of Nominee Directors on the Board exceeded the limit.

Table 3.7: CPSEs where number of nominee Directors exceeded limit

| Sl. No. | Name of the CPSE | Number of Nominee Directors |
|---------|---|-----------------------------|
| 1 | Mangalore Refinery & Petrochemicals Limited | 3 |
| 2 | Balmer Lawrie Investments Limited | 3 |

3.2.4 Meetings of Board of Directors

Section 173 (1) of Companies Act, 2013 and Clause 49 (II) (D) (1) of the listing agreement require that the Board shall meet at least four times in a year with a maximum time gap of 120 days between any two meetings. However, it was observed that Hindustan Cables Limited conducted only three board meetings during 2014-15.

3.2.5 Filling-up the posts of directors – functional, non-functional, independent

Timely filling up of vacancies in the posts of Directors ensures the availability of required skill and expertise in the management of the company. Any delay in filling of vacancies may hamper the effectiveness of the decision making process. Clause 49 (II) (D) (4) of the listing agreement stipulates that vacancy arising out of resignation or removal of an Independent Director should be done at the earliest but not later than the immediate next board meeting or three months from the date of such vacancy, whichever is later. However, it was observed that the posts of independent Directors were not filled (as on 31 March 2015) despite the lapse of three months. Further, it was also observed that vacancies of functional Directors were not filled as required under section 203(4) of the Companies Act, 2013, despite lapse of six months in the CPSEs given in Table 3.8.

Table 3.8: CPSEs where vacancies of functional and Independent Directors not filled up in time

| Sl. No. | Name of the CPSE | Name of the post | Default in months |
|---------|---------------------------------------|-----------------------|-------------------|
| 1 | Balmer Lawrie & Co Limited | Independent Directors | 19 |
| 2 | BEML Limited | Independent Directors | 14 |
| 3 | Bharat Electronics Limited | Independent Directors | 24 |
| 4 | Bharat Heavy Electricals Limited | Director (E,R&D) | 13 |
| | | Independent Directors | 10 |
| 5 | Coal India Limited | Independent Director | 4 |
| 6 | Dredging Corporation of India Limited | Independent Directors | 48 |
| 7 | HMT Limited | Director (Finance) | 60 |
| | | Director (Operations) | 8 |
| | | Independent Directors | 60 |
| 8 | KIOCL Limited | Independent Directors | 5 to 19 |
| 9 | MMTC Limited | CMD | 47 |
| | | Company Secretary | 17 |
| 10 | MOIL Limited | Independent Directors | 14 |
| 11 | National Aluminium Company Limited | Independent Directors | 9 |

| Sl. No. | Name of the CPSE | Name of the post | Default in months |
|---------|---|-----------------------|-------------------|
| 12 | National Fertilisers Limited | Independent Directors | 9 |
| 13 | NHPC Limited | CMD | 45 |
| 14 | NTPC Limited | Independent Directors | 5 |
| 15 | Rural Electrification Corporation Limited | Independent Director | 23 |
| 16 | SJVN Limited | Independent Directors | 22 |
| 17 | State Trading corporation Limited | Directors (Marketing) | 20 to 96 |
| | | Independent Directors | 5 to 10 |
| 18 | The Shipping Corporation of India Limited | CMD | 7 |
| | | Director(T&OS) | 3 |
| | | Director(Finance) | 3 |
| | | Independent Directors | 3 |

3.3 Audit Committee

3.3.1 Clause 49 (III) (A) of listing agreement stipulates that there shall be an Audit Committee with a minimum of three directors as members of which two-thirds shall be Independent Directors. However, no Audit Committee was constituted in respect of CPSEs as detailed in Table 3.9.

Table 3.9: CPSEs where no Audit Committees constituted

| Sl. No. | Name of the CPSE |
|---------|---------------------------------------|
| 1 | Andrew Yule & Company Limited |
| 2 | Dredging Corporation of India Limited |
| 3 | HMT limited |
| 4 | Scooters India Limited |

3.3.2 Composition of Audit Committee

Two-thirds of the members of the Audit Committee were not Independent Directors in respect of the CPSEs as detailed in Table 3.10.

Table 3.10: CPSEs where two-thirds of the members of the Audit Committee were not Independent Directors

| Sl. No. | Name of the CPSE |
|---------|---|
| 1 | Chennai Petroleum Corporation Limited |
| 2 | Hindustan Fluoro Carbons Limited |
| 3 | Hindustan Organic Chemicals Limited |
| 4 | Mahanagar Telephone Nigam Limited |
| 5 | Mangalore Refinery & Petrochemicals Limited |
| 6 | Rashtriya Fertilisers & Chemicals Limited |
| 7 | Oil and Natural Gas Corporation Limited |

3.3.3 Chairman of the Audit Committee

Clause 49 (III) (A) (3) stipulates that the Chairman of the Audit Committee shall be an Independent Director. However, it was observed that Chairman of the Audit committee in respect of Hindustan Organic Chemicals Limited was not an independent director despite having Independent Director on the Board.

- 3.3.4** Clause 49 (III)(A)(4) stipulates that the Chairman of the Audit Committee shall be present at Annual General Meeting (AGM) to answer shareholder queries. However, the Chairman of the Audit Committee of the CPSEs listed in Table 3.11 was not present in the AGM held during 2014-15.

Table 3.11: CPSEs where Chairman of the Audit Committee was not present in AGM

| Sl. No. | Name of the CPSE |
|---------|--|
| 1 | Bharat Immunological & Biologicals Limited |
| 2 | Engineers India Limited |
| 3 | The Fertilisers and Chemicals Travancore Limited |
| 4 | Hindustan Fluoro Carbons Limited |
| 5 | Hindustan Organic Chemicals Limited |
| 6 | Hindustan Photo Films Mfg. Company Limited |
| 7 | Neyveli Lignite Corporation Limited |
| 8 | The Shipping Corporation of India Limited |

3.3.5 Meetings of Audit Committee

Clause 49 (III) (B) stipulates that the Audit Committee should meet at least four times in a year and not more than four months shall elapse between two meetings. The quorum shall be either two members or one-third of members of the Audit Committee whichever is greater, but a minimum of two Independent Directors must be present.

- (i) It was observed that in Hindustan Cables Limited only one meeting and in Hindustan Photo Films Mfg. Company Limited only three meetings were held in the year 2014-15.
- (ii) It was further noticed that the gap between two audit committee meetings exceeded four months in respect of Balmer Lawrie Investments Limited.
- (iii) It was also observed that there were less than two independent directors present in one and four Audit Committee meetings not constituting the required quorum in National Aluminium Company Limited and Neyveli Lignite Corporation Limited respectively.

- 3.3.6** Clause 49 (III) (A) (5) stipulates that the Audit Committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the Committee. The Audit Committee may also meet without the presence of any executives of the company. The Finance Director, Head of Internal Audit and a representative of the Statutory Auditor may be specifically invited to be present as invitees for the meetings of the Audit Committee as may be decided by the Chairman of the Audit Committee. In respect of the CPSEs detailed in Table 3.12, though the Finance Director, Head of Internal Audit and representative of Statutory Auditor were invited, but were not present in some of the Audit Committee meetings.

Table 3.12: CPSEs where Finance Director, Head of Internal Audit and representative of Statutory Auditor were not present

| Sl. No. | Name of the CPSE | Invitee not attended | Number of meetings not attended |
|---------|------------------------------------|---|---------------------------------|
| 1 | National Aluminium Company Limited | Head of Internal Audit and Statutory Auditor's representative | 1 |
| 2 | Balmer Lawrie Investments Limited | Statutory Auditor's representative | 2 |
| 3 | GAIL(India) Limited | Statutory Auditor's representative | 4 |

3.3.7 Adequacy of internal audit function

Clause 49 (III) (D) (13) stipulates that the Audit Committee should review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit. In respect of two CPSEs viz. Bharat Immunological & Biologicals Limited and The Shipping Corporation of India Limited, the Audit Committee has not reviewed the internal audit functions.

3.3.8 As per clause 49 (III) (D) (14) of the listing agreement it is also the responsibility of the Audit Committee to hold discussion with internal auditors of any significant findings and follow up there on. It was observed that, in respect of Rashtriya Fertilisers & Chemicals Limited, the audit committee was not conducted any discussion with internal auditors.

3.3.9 Whistle Blower Mechanism

Revised Clause 49 (II) (F) of the Listing Agreement stipulates that the company shall establish a vigil mechanism for directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy. It was observed that, in the CPSEs listed in Table 3.13, there was no whistle blower mechanism.

Table 3.13: CPSEs not having whistle blower mechanism

| Sl. No. | Name of the CPSE |
|---------|--|
| 1 | Balmer Lawrie Investments Limited |
| 2 | BEML Limited |
| 3 | Bharat Immunological & Biologicals Corporation Limited |
| 4 | HMT Limited |
| 5 | Scooter India Limited |

Clause 49 III (D) 18 stipulates the Audit Committee to review the functioning of the 'Whistle Blower Mechanism' in case the same exists in the company. In the CPSEs detailed in Table 3.14 below, though whistle blower mechanism exist, the Audit committee did not review it.

Table 3.14: CPSEs having whistle blower mechanism but not reviewed by audit Committee

| Sl. No. | Name of the CPSE |
|---------|--|
| 1 | Hindustan Photo Films Mfg. Company Limited |
| 2 | Hindustan Organic Chemicals Limited |
| 3 | Neyveli Lignite Corporation Limited |
| 4 | The Fertilizers and Chemicals Travancore Limited |

3.3.10 Review of Supplementary Audit findings of CAG

All the CPSEs are subject to the audit of CAG of India as per the statutory mandate. Section 139(7) of the Companies Act, 2013, authorizes CAG to carry out supplementary audit of accounts of Government Companies. Hence it is also a responsibility of the Audit committee to review the findings and to check up the follow up action. In respect of Steel Authority of India Limited, Audit Committee has not reviewed the Management letter issued after conduct of supplementary audit.

3.3.11 Discussion with Statutory Auditors

Clause 49 (III) (D) (16) provides that the Audit Committee should hold discussion with statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern. In respect of CPSEs listed in Table 3.15, the Audit Committees did not hold any such discussion.

Table 3.15: CPSEs where Audit Committees did not hold discussion with statutory auditors

| Sl. No. | Name of the CPSE | Discussion not held |
|---------|--|--------------------------|
| 1 | Hindustan Fluoro Carbons Limited | No post-audit discussion |
| 2 | Steel Authority of India Limited | No pre-audit discussion |
| 3 | The Fertilizers and Chemicals Travancore Limited | No pre-audit discussion |

3.4 Nomination and Remuneration Committee

Clause 49 (IV) stipulates that each CPSE shall constitute a Nomination and Remuneration Committee comprising of at least three Directors, all of whom should be non-executive Directors and at least half shall be independent. Chairman of the Committee shall be an Independent Director. However, there was no Remuneration Committee in the CPSEs as detailed in Table 3.16.

Table 3.16: CPSEs not having Remuneration Committee

| Sl. No. | Name of the CPSE |
|---------|--|
| 1 | Andrew Yule & Company Limited |
| 2 | Dredging Corporation of India Limited |
| 3 | Hindustan Cables Limited |
| 4 | Hindustan Organic Chemicals Limited |
| 5 | Hindustan Photo Films Mfg. Company Limited |
| 6 | Mahanagar Telephone Nigam Limited |
| 7 | National Building Construction Company Limited |
| 8 | The Fertilizers and Chemicals Travancore Limited |

3.5 Subsidiary Companies

Clause 49 (V) (D) specifies that the company shall formulate a policy for determining material subsidiaries and such policy shall be disclosed to Stock Exchanges and in the Annual Report. In respect of HMT Limited no such disclosure was made.

3.6 Risk Management Committee

Clause 49 (VI) stipulates that the company through its Board of Directors shall constitute a Risk Management Committee. However, the CPSEs given in Table 3.17 were yet to form a Risk Management Committee:

Table 3.17: CPSEs not having a Risk Management Committee

| Sl. No. | Name of the CPSE |
|---------|--|
| 1 | Balmer Lawrie & Co. Limited |
| 2 | Coal India Limited |
| 3 | The Fertilizers and Chemicals Travancore Limited |
| 4 | HMT Limited |
| 5 | Hindustan Photo Films Mfg. Company Limited |

3.7 Secretarial Audit

The Secretarial Audit (SA) is a part of legal compliance reporting system. Section 204(1) of the companies Act, 2013 prescribes that, every listed company shall annex with the Board's report a secretarial audit report prepared by a Company Secretary in practice. However, there was no secretarial audit in Bharat Immunological & Biologicals Corporation Limited and Hindustan Photo Films Mfg. Company Limited.

3.8 Conclusion

Out of 49 selected CPSEs, no Independent Directors had been appointed in 16 CPSEs; delays of more than three months were observed in filling vacancies of Independent Directors in 16 CPSEs; delays of more than six months were observed in filling up vacancies of functional Directors in the Board in six CPSEs; no Audit Committee was there in four CPSEs; no whistle blower mechanism was put in place in five CPSEs; no Nomination and Remuneration Committee were constituted in eight CPSEs.

3.9 Recommendation:

GOI may impress upon the respective Administrative Ministries/Departments to ensure compliance of guidelines so as to achieve the objectives of corporate governance in listed CPSEs.

