

# Corporate Governance

## 3.1 Introduction

Corporate Governance is a system of structuring, operating and controlling an organisation with a view to achieving long term strategic goals to satisfy the stakeholders (shareholders, employees, customers, suppliers, government and community) and complying with the legal and regulatory requirements. Corporate Governance is a way of directing and controlling companies. It is concerned with the morals, ethics, values, parameters, conduct and behaviour of the company and management. It is the system by which companies are directed and controlled by the management in the best interest of the shareholders and other stakeholders ensuring greater transparency and better and timely financial reporting. **The absence of good governance structures and lack of adherence to the governance principles increases the risk of corruption and misuse of entrusted power by the management in public sector.**

### 3.1.1 Corporate Governance in India

The direction of Corporate Governance initiatives in India has been dictated mainly by the Companies Act, 1956, Securities and Exchange Board of India (SEBI) and Department of Public Enterprises (DPE). While the various amendments to the Companies Act, 1956 gave the governance direction to the companies in the country as a whole, the DPE had issued guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs) providing the path for governance initiatives in the public sector.

### 3.1.2 DPE guidelines on Corporate Governance for CPSEs

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 the areas of 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.

### 3.1.3 Provisions of the Companies Act, 1956 with regard to Corporate Governance

The Companies Act, 1956 does not have any direct provisions regarding Corporate Governance but different provisions of the Companies Act, 1956 prescribe certain practices that go in building a robust corporate governance structure. Some such provisions of the Companies Act, 1956 are indicated below:

- Section 217 (2AA) made applicable with effect from December, 2000 provides for Directors' Responsibility Statement as part of the Board's Report indicating that the applicable Accounting Standards have been followed in the preparation of the accounts and reporting the material departures there from, that the companies follow their accounting policies consistently and that all the accounting records are maintained as per the requirements of the Companies Act, 1956.
- Section 292A made applicable with effect from December, 2000 provides for the constitution of Audit Committee as a Committee of the Board in every public limited company having a paid up capital of not less than ₹ 5 crore. The terms of reference of the Audit Committee include all matters related to financial reporting process, internal control and risk management system of the company, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.
- Section 299 of the Act requires every director of a company to make disclosure, at the Board meeting, of the nature of his concern or interest in a contract or arrangement (present or proposed) entered by or on behalf of the company. The company is also required to record such transactions in the Register of Contract under section 301 of the Act.

### 3.1.4 SEBI guidelines on Corporate Governance

The Securities and Exchange Board of India (SEBI) vide its circular dated 21 February 2000 introduced a new clause 49 in the Listing agreement. Clause 49 of the Listing Agreement was amended in October 2004 and the revised clause was made effective from 1 January 2006. Clause 49 of the listing agreement provides for the composition of the Board of Directors, the remuneration of the non – executive directors, composition and functions of the Audit Committee, role of the Board of Directors and Audit Committee of a holding company vis-à-vis the subsidiary company, Disclosures and Compliance reports etc.

### 3.1.5 Audit review on compliance of the Corporate Governance provisions

- As on 31 March 2012, there were 481 Central Government Public Sector Enterprises (CPSEs) under the audit jurisdiction of the Comptroller and Auditor General of India. These included 338 government companies, 137 deemed government companies and 06 statutory corporations. Majority of these CPSEs, including Maharatnas, Navratnas and Miniratnas are earning profit and have improved their financial performance over the years. In the context of the policy of the government to grant more autonomy to the CPSEs, Corporate Governance has become even more important. Under the Maharatna Scheme, CPSEs are expected to expand international operations and become global giants, for which effective Corporate Governance is imperative.
- Audit covered 36 government companies (Annexure XIII) belonging to Ministry of Heavy Industries & Public Enterprises to review their adherence with the Corporate Governance

requirements. The period of one year ended March 2012 was covered in the review. The findings of the review are presented in the following paragraphs.

## 3.2 Board of Directors

### 3.2.1 Government Nominee Directors

The DPE guidelines stipulate that Government Directors should not exceed one-sixth of the actual strength of the Board of Directors and it is preferable to have only one representative on the Board. However, in no case, they should exceed two. In the following companies, there were more than 2 Government Directors:

Sl. No.	Name of the CPSE
1	NEPA Limited
2	Rajasthan Electronics & Instruments Limited
3	Sambhar Salts Limited
4	Tungabhadra Steel Products Limited

In respect of following Companies, there were no Government Nominee Directors on the Board.

Sl. No.	Name of the CPSE
1	Hooghly Printing Company Limited
2	Yule Electricals Limited
3	Yule Engineering Limited

### 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 challenging the decisions of the management, is widely considered as a means of protecting the interests of shareholders and other stakeholders. **In terms of Clause 49 (I) (A) (ii) of listing agreement and 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. The nominee directors are not considered as independent directors.**

The composition of the Board of Directors of the reviewed companies revealed that the following companies did not have the required number of independent directors on their Board:

Sl. No.	Name of the CPSE	Required	Actual
1	Bharat Heavy Electricals Limited	7	6
2	Braith Waite Burn and Jessop Construction Company Limited	2	1
3	Bridge and Roof Company Limited	3	1
4	Cement Corporation of India Limited	4	3
5	Engineering Projects India Limited	3	1
6	Hindustan Cables Limited	2	1
7	Hindustan Salts Limited	3	1

8	Instrumentation Limited	4	1
9	NEPA Limited	3	1
10	Rajasthan Electronics & Instruments Limited	2	1
11	Sambhar Salts Limited	4	1
12	Tungabhadra Steel Products Limited	3	1
13	Tyre Corporation of India Limited	2	1

In respect of following CPSEs, there were no independent directors on the Board.

Sl. No.	CPSEs - no independent directors
1	Andrew Yule & Company Limited
2	Bharat Bhari Udyog Nigam Limited
3	Bharat Heavy Plates and Vessels Limited
4	Bharat Pumps & Compressors Limited
5	Heavy Engineering Corporation Limited
6	Hindustan Newsprint Limited
7	Hindustan Paper Corporation Limited
8	Hindustan Photo film Manufacturing Company Limited
9	HMT (MT) Limited
10	HMT Chinar Watches Limited
11	HMT International Limited
12	HMT Limited
13	HMT Watches Limited
14	Hooghly Printing Company Limited
15	Jagdishpur Paper Mills Limited.
16	Nagaland Pulp and Paper Company Limited
17	National Bicycle Corporation of India Limited
18	Richardson & Cruddas (1972) Limited
19	Scooters India Limited
20	Yule Electricals Limited
21	Yule Engineering Limited

### 3.2.3 Non-executive Directors on the Board

Clause 49 (I) (A) (i) of listing agreement and para 3.1 and 3.2 of DPE guidelines stipulate that the Board of Directors of the company shall have an optimum combination of executive and non-executive directors/functional and non – functional directors with not less than fifty *per cent* of

the Board of Directors comprising non-executive directors. In the following companies, the non – executive directors constituted less than *fifty per cent* of the total Board strength.

Sl. No	Name of the CPSE	Required	Actual
1	Andrew Yule & Company Limited	3	2
2	Bharat Heavy Plates and Vessels Limited	3	2
3	Bridge and Roof Company Limited	3	2
4	Heavy Engineering Corporation Limited	3	2
5	Hindustan News Print Limited	2	1
6	Hindustan Paper Corporation Limited	3	1
7	Hindustan Photo Film Manufacturing Company Limited	2	1
8	HMT (MT) Limited	2	1
9	HMT Bearings Limited	2	1
10	Instrumentation Limited	4	3
11	Scooters India Limited	2	1

### 3.2.4 Information on activities and affairs of the company

DPE guidelines and clause 49 of the listing agreement have prescribed the minimum information about the activities and affairs of the company that should be furnished to the Board. Such information includes annual operating plans, budgets, quarterly results, minutes of audit committee, information on recruitment and remuneration of senior level officers just below Board level, details of joint venture, foreign exchange etc. In respect of the following companies, the required information was not furnished to the Board.

Sl. No	Name of the PSU	Minimum information not furnished
1	Bharat Heavy Plates and Vessels Limited	<ul style="list-style-type: none"> <li>Minutes of meetings of Audit Committee and other committees of the Board.</li> </ul>
2	Cement Corporation of India Limited	<ul style="list-style-type: none"> <li>Minutes of meetings of Audit Committee and other committees of the Board.</li> </ul>
3	Heavy Engineering Corporation Limited	<ul style="list-style-type: none"> <li>Quarterly results for the Company and its operating divisions or business segments.</li> <li>The information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary.</li> <li>Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.</li> <li>Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.</li> </ul>
4	Hindustan Paper Corporation Limited	<ul style="list-style-type: none"> <li>Transactions that involve substantial payment towards goodwill, brand or intellectual property, sale of material nature of investments, subsidiaries, assets, which is not in normal course of business.</li> </ul>
5	HMT (MT) Limited	<ul style="list-style-type: none"> <li>Capital budgets and any updates.</li> </ul>

6	HMT Chinar Watches Limited	<ul style="list-style-type: none"> <li>Annual operating plans and budgets and any updates.</li> </ul>
7	HMT Limited	<ul style="list-style-type: none"> <li>Capital budgets and any updates.</li> <li>Quarterly details of foreign exchange exposures and steps taken by management to limit the risks of adverse exchange rate movement, if material</li> </ul>
8	National Bicycle Corporation of India Limited	<ul style="list-style-type: none"> <li>Annual operating plans and budgets and any updates, capital Budgets and any updates.</li> <li>Quarterly results for the company and its operating divisions of business segments.</li> </ul>
9	Rajasthan Electronics & Instruments Limited	<ul style="list-style-type: none"> <li>Minutes of meetings of Audit Committee and other committees of the Board.</li> </ul>

### 3.2.5 Risk Management

Enterprise risk management helps management in managing the risk and avoiding damage to the entity's reputation and associated consequences. Considering the significance of risk management in the scheme of corporate management strategies, its oversight should be one of the main responsibilities of the Board/Management. DPE Guidelines emphasize that the Board should ensure the integration and alignment of the risk management system with the corporate and operational objectives and also that risk management is undertaken as a part of normal business practice and not as a separate task at set times. In respect of the following companies, risk policy is yet to be evolved.

Sl. No	Name of the CPSE
1	Andrew Yule & Company Limited
2	Bharat Bhari Udyog Nigam Limited
3	Bharat Heavy Plates and Vessels Limited
4	Bharat Pumps & Compressors Limited
5	Braith Wait Burn and Jessop Construction Company Limited
6	Cement Corporation of india Limited
7	Engineering Projects India Limited
8	Heavy Engineering Corporation Limited
9	Hindustan News Print Limited
10	Hindustan Paper Corporation Limited
11	Hindustan Salts Limited
12	HMT Chinar Watches Limited
13	Hooghly Printing Company Limited
14	Instrumentation Limited
15	Jagadishpur Paper Mills Limited
16	Nagaland Pulp and Paper Company Limited
17	National Bicycle Corporation of India Limited
18	NEPA Limited
19	Rajasthan Electronics & Instruments Limited
20	Richardson & Cruddas ( 1972) Limited
21	Sambhar Salts Limited
22	Triveni Structural Limited

23	Tungabhadra Steel Products Limited
24	Yule Electricals Limited
25	Yule Engineering Limited

### 3.2.6 Filling 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. In respect of following companies there was delay of 6 months or more in filling the posts of directors-functional, non-functional, independent etc as on 31 March 2012.

Sl. No.	Name of the CPSEs	Name of the post	No of months
1	Bharat Bhari Udyog Nigam Limited	Director (Finance)	7
2	Bharat Heavy Plates and Vessels Limited	Independent Directors - 2	24
3	Bharat Pumps & Compressors Limited	Independent Director - 2	7
4	Cement Corporation of India Limited	Director (Finance)	16
5	Engineering projects India Limited	Independent Directors-2	16
6	Heavy Engineering Corporation Limited	Director (Marketing)	17
7	Hindustan Cables Limited	C&MD	21
8	Hindustan Newsprint Limited	Independent Directors -2 Director (Finance)	33 15
9	Hindustan Photo Films Manufacturing Company Limited	Independent Director	7
10	Hindustan Salts Limited	Nominee Director	6
11	NEPA Limited	Director ( Finance)	125
12	Richardson & Cruddas (1972) Limited	Director	45
13	Sambhar Salts Limited	Nominee Directors-2	6
14	Triveni Structurals Limited	Govt Nominee	99
15	Tyre Corporation India Limited	Director ( Finance)	15

### 3.3. Audit Committee

3.3.1 Clause 49 (II) (A) of listing agreement and Chapter 4 of DPE guidelines stipulate that there shall be an Audit committee with a minimum of three directors as members of which two-thirds shall be Independent Directors. In respect of the following companies, there was no audit committee:

Sl. No	Name of the CPSE
1	Andrew Yule & Company Limited
2	Heavy Engineering Corporation Limited

3	Hindustan News Print Limited
4	Hindustan Paper Corporation Limited ( Not functional from 16.10.2011)
5	HMT (MT) Limited
6	HMT Bearings Limited
7	HMT Chinar Watches Limited
8	HMT Limited
9	HMT Watches Limited
10	Hooghly Printing Company Limited
11	Instrumentation Limited
12	Jagadishpur Paper Mills Limited
13	Nagaland Pulp and Paper Company Limited
14	National Bicycle Corporation of India Limited.
15	Richardson & Cruddas (1972) Limited
16	Scooters India Limited
17	Triveni Structurals Limited
18	Yule Electrical Limited
19	Yule Engineering Limited

### 3.3.2 Composition of Audit Committee

In respect of the following companies, two-thirds of the members of the Audit Committee were not Independent Directors as required.

Sl. No.	CPSEs - with insufficient independent directors
1	Bharat Bhari Udyog Nigam Limited
2	Bharat Heavy Plates and Vessels Limited
3	Bharat Pumps & Compressors Limited
4	Bridge & Roof Company Limited
5	Engineering Projects India Limited
6	Hindustan Photo Films Manufacturing Company Limited
7	Hindustan Salts Limited
8	NEPA Limited
9	Rajasthan Electronics & Instruments Limited
10	Sambhar Salts Limited
11	Tungabhadra Steel Products Limited

### 3.3.3 Chairman of the Audit Committee

As per the listing agreement and DPE guidelines, the Chairman of the Audit committee shall be an independent director. In the following cases, the Chairman of the Audit committee was not an independent director.

Sl. No.	CPSEs-Chairman of the Audit Committee was not an independent director
1	Bharat Bhari Udyog Nigam Limited
2	Bharat Heavy Plates and Vessels Limited
3	Bharat Pumps & Compressors Limited
4	Hindustan Photo Films Manufacturing Company Limited
5	Hindustan Salts Limited
6	NEPA Limited



7	Sambhar Salts Limited
8	Tungabhadra Steel Products Limited

- 3.3.4** Clause 49 II (A)(iv) of Listing Agreement and DPE guidelines require that the Chairman of the Audit Committee should be present at Annual General Meeting (AGM) to answer shareholder queries. However, the Chairman of the Audit Committee of the following CPSEs did not attend the AGM held during 2011-12:

Sl. No	Name of the CPSE
1	Bharat Bhari Udyog Nigam Limited
2	Bharat Heavy Plates and Vessels Limited
3	Bharat Pumps & Compressors Limited
4	Bridge and Roof Company (India) Limited
5	Hindustan Salts Limited
6	NEPA Limited
7	Sambhar Salts Limited

- 3.3.5** There should be a system of periodical review of the terms of reference of Audit Committee to ensure that work of the committee is aligned with the business needs. In respect of following companies there was no system to review the terms of reference of Audit Committee:

Sl. No.	Name of the CPSE
1	Bharat Bhari Udyog Nigam Limited
2	Bharat Pumps & Compressors Limited
3	Cement Corporation of India Limited
4	Hindustan Salts Limited
5	Rajasthan Electronics & Instruments Limited (REIL)
6	Sambhar Salts Limited

- 3.3.6** It is a good practice to issue appointment letters to the members of Audit Committee which clearly sets out their appointment and purpose, commitment required, remuneration, appraisal, support and training that they will receive, expected conduct, duration of appointment and how often it may be renewed and termination conditions. In the following companies there was no system of issue of appointment letters to the members of Audit Committee.

Sl. No.	Name of the CPSE
1	Bharat Bhari Udyog Nigam Limited
2	Bharat Heavy plates and Vessels Limited
3	Bharat pumps & Compressors Limited
4	Braith Wait Burn and Jessop Construction Company Limited
5	Bridge & Roof Co ( India) Limited
6	Cement Corporation of India Limited
7	Engineering Projects India Limited
8	Hindustan Photo Films Manufacturing Company Limited

9	Hindustan Salts Limited
10	NEPA Limited
11	Rajasthan Electronics & Instruments Limited
12	Sambhar Salts Limited
13	Tungabhadra Steel products Limited

### 3.3.7 Meetings of Audit committee

Clause 49 II (B) of Listing Agreement and Chapter 4 of DPE guidelines (para 4.4) require that the Audit Committee should meet at least four times in a year. During review, it was noticed that in respect of following companies, there were less than four meetings in the year 2011-12.

Sl. No.	CPSEs-less than required number of meetings of Audit Committee	Number of meetings held
1	Bharat Bhari Udyog Nigam Limited	1
2	Bharat Pumps & Compressors Limited	1
3	Cement Corporation of India Limited	3
4	Engineering Projects India Limited	2
5	Hindustan Cables Limited	1
6	NEPA Limited	3
7	Tungabhadra Steel products Limited	1
8	Tyre Corporation of India Limited	0

**3.3.8** One of the recommendations of **Blue Ribbon committee**<sup>\*</sup> was that the Audit Committee should meet the Statutory Auditors of the Company once in a year without the presence of the Finance Officers/Management of the Company. **This good practice was being followed by the following Companies.**

Sl. No.	CPSEs-implemented the recommendations of the Blue Ribbon Committee
1	Bridge and Roof Company (India) Limited
2	Hindustan Cables Limited

**3.3.9** It is also the responsibility of the Audit committee to hold discussion with internal auditors on any significant findings and follow up there on. It was observed that, in the following companies, the audit committee has not conducted any discussion with internal auditors.

Sl. No.	Name of the CPSE
1	Bharat Pumps & Compressors Limited
2	Cement Corporation of India Limited
3	Hindustan Photo Films Manufacturing Company Limited
4	Rajasthan Electronics & Instruments Limited

<sup>\*</sup> A Committee formed in 1998 in the United States which published a report on improving the effectiveness of Corporate Audit Committees.

### 3.3.10 Whistle Blower Mechanism

(a) Clause 49 II (D) 12 of the Listing Agreement and Para 4.2.12 of DPE guidelines require the Audit Committee to review the functioning of the 'Whistle Blower Mechanism' in case the same exists in the company. The Listing Agreement contemplates that the company may establish a mechanism for employees to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy. This mechanism could also provide for adequate safeguards against victimisation of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases. Once established, the existence of the mechanism may be appropriately communicated within the organization. In the following companies, there was no whistle blower mechanism:

Sl. No	Name of the CPSE
1	Bharat Bhari Udyog Nigam Limited
2	Bharat Heavy Electricals Limited
3	Bharat Heavy Plates and Vessels Limited
4	Bharat Pumps & Compressors Limited
5	Braith Wait Burn and Jessop Construction Company Limited
6	Cement Corporation of India Limited
7	NEPA Limited
8	Tungabhadra Steel Products Limited

(b) In following companies, though whistle blower mechanism existed, the Audit committee did not review it:

Sl. No	Name of the CPSE
1	Rajasthan Electronics & Instruments Limited

(c) As a corollary to the responsibility of Audit Committee to ensure protection to the whistle blowers, as discussed in the earlier paragraphs, there should also be a system of review of the anti-fraud and anti – corruption policies and procedures by the Audit Committee to ensure that they were in place and operating effectively. In the following companies, there were no anti – fraud and anti- corruption policies:

Sl. No	Name of the CPSE
1	Bharat Bhari Udyog Nigam Limited
2	Bharat Pumps & Compressors Limited
3	Braith Wait Burn and Jessop Construction Company Limited
4	Cement Corporation of India Limited
5	Hindustan Paper Corporation Limited
6	NEPA Limited
7	Tungabhadra Steel products Limited

### 3.3.11 Discussion with Statutory Auditors

Clause 49 (II) (D) and para 4.2.10 of DPE guidelines provide that 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 the following Companies, the audit committee did not hold any such discussion:

Sl. No.	Name of the CPSE
1	Bharat Bhari Udyog Nigam Limited
2	Bharat Heavy Plates and Vessels Limited
3	Bharat Pumps and Compressors Limited
4	Cement Corporation of India Limited
5	Engineering Projects India Limited
6	Hindustan Photo Films Manufacturing Company Limited
7	Hindustan Salts Limited
8	Rajasthan Electronics & Instruments Limited
9	Sambhar Salts Limited

### 3.3.12 Preparation of Annual Reports

During review it is noticed that there was no system of preparing of annual reports on the working of audit committee in the following companies.

Sl. No.	Name of the CPSE
1	Bharat Bhari Udyog Nigam Limited
2	Bharat Heavy Plates and Vessels Limited
3	Bharat Pumps & Compressors Limited
4	Braith Wait Burn and Jessop Construction Company Limited
5	Cement Corporation of India Limited
6	Engineering Projects India Limited
7	Hindustan Photo Films Manufacturing Company Limited
8	NEPA Limited
9	Rajasthan Electronics & Instruments Limited
10	Tungabhadra Steel Products Limited

### 3.3.13 System of regular reports to the Board

Audit committee oversees the work of statutory Auditors, Internal Audit and hence are in a position to advise the Board in its strategic decisions from the view of finance and compliance of laws, regulations etc. Regular reporting by the audit committee to the Board will help the Board identify the deficiencies and take immediate corrective action. Hence there should be a system of regular reporting to the Board in the form of reports. In majority of the companies under review as shown below, there is no system of preparation of regular reports. Only minutes of the meeting of the Audit Committee were presented to the Board. However, the findings, observations and recommendations of the Audit Committee in the form of a report would provide a better understanding and enable the Board to obtain a better view.

Sl. No.	Name of the CPSE
1	Bharat Bhari Udyog Nigam Limited
2	Bharat Heavy Plates and Vessels Limited
3	Bharat Pumps & Compressors Limited

4	Cement Corporation of India Limited
5	Hindustan Photo Films Manufacturing Company Limited
6	Hindustan Salts Limited
7	Rajasthan Electronics & Instruments Limited
8	Sambhar Salts Limited
9	Tungabhadra Steel products Limited

### 3.4 Code of Conduct for all Board Members

Clause I (D) of the listing agreement and Para 3.4 of DPE guidelines stipulate that the Board shall lay down a code of conduct for all Board members and senior management of the company. The code of conduct shall be circulated and also posted on the website of the company. All Board members and senior management personnel shall affirm compliance with the code on an annual basis. The Annual Report of the company shall contain a declaration to this effect signed by its Chief Executive. In the following cases, model code of business conduct and ethics was not circulated:

Sl. No.	CPSEs-model code of business conduct and ethics not circulated
1	Andrew Yule & Company Limited
2	Braith Wait Burn and Jessop Construction Company Limited
3	Cement Corporation of India Limited
4	Heavy Engineering Corporation Limited
5	HMT International Limited
6	HMT Chinar Watches Limited
7	HMT Watches Limited
8	Hooghly Printing Company Limited
9	Instrumentation Limited
10	Jagadishpur Paper Mills Limited
11	Nagaland Pulp and Paper Company Limited
12	NEPA Limited
13	Tungabhadra Steel products Limited
14	Yule Electricals Limited
15	Yule Engineering Limited

### 3.5 Secretarial Audit

In the following companies, there was no secretarial audit:

Sl. No.	CPSEs-system of secretarial audit not noticed
1	Bharat Bhari Udyog Nigam Limited
2	Bharat Heavy plates and Vessels Limited
3	Bharat Pumps & Compressors Limited
4	Bridge and Roof Company Limited
5	Cement Corporation of India Limited
6	Heavy Engineering Corporation Limited

7	Hindustan Cables Limited
8	Hindustan Paper Corporation Limited
9	Hindustan Photo Films Manufacturing Company Limited
10	Hindustan Salts Limited
11	HMT Chinar Watches Limited
12	Hooghly Printing Company Limited
13	Instrumentation Limited
14	Jagdishpur Paper Mills Limited
15	Nagaland Pulp & Paper company Limited
16	NEPA Limited
17	Rajasthan Electronics & Instruments Limited
18	Sambhar Salts Limited
19	Scooters India Limited
20	Tyre Corporation of India Limited
21	Yule Electricals Limited
22	Yule Engineering Limited

### 3.6 Conclusion

DPE guidelines on corporate governance though mandatory are not being complied with by some of the CPSEs. Adequate representation of independent directors on the Boards, functioning of and reporting by the Audit Committees etc, were not found in conformity with guidelines of DPE.

### 3.7 Recommendations

The following recommendations are made to improve the quality of corporate governance in CPSEs:

- **GOI may ensure induction of the requisite number of independent directors on the Board of CPSEs;**
- **Compliance of DPE guidelines may be monitored by the Administrative Ministries of the CPSEs.**