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Internship Report

on

‘A Study on Corporate Governance of Public Sector Undertakings in India’

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Certificate

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The internship report is prepared by Pragati Priya, School of Economics University of Hyderabad, under the mentorship of Mr. Sreenivasa A., Deputy Advisor and Faculty, FPI.

All opinion and conclusions expressed in the internship report are of the Intern and usual disclaimer applies.


Sujit Kumar Chowdhury
Director, FPI



Institute's Seal

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EXECUTIVE SUMMARY

This report focuses on the importance and measures of corporate governance in public sector undertakings of India. It begins with the concept and needs of corporate governance in any organisation along with the elements of good corporate governance. A brief description of Public Sector Undertakings of India is provided. Afterwards, the legislative framework of corporate governance in public sector enterprises is discussed. To shed light on the origin and modifications of corporate governance, the highlights of the reports of some of the committees formed on corporate governance such as Kumar Mangalam Birla Committee (2000), Naresh Chandra Committee (2002), NR Narayana Murthy Committee (2003) and Dr. JJ Irani Committee on Company Law (2005) are given in the report. A set of common rules and regulations have to be followed by all the public and private enterprises under features of corporate governance in Companies Act, 2013 which have been provided in the report. Then, the report takes into account the study of eight PSUs of India namely Bharat Heavy Electricals Limited, Steel Authority of India Limited, National Thermal Power Corporation Limited, Gas Authority of India Limited, Bharat Electronics Limited, Oil and Natural Gas Corporation, Hindustan Petroleum Corporation Limited and Mahanagar Telecom Nigam Limited and the measures of corporate governance taken by them. The report concludes with a comparative analysis of corporate governance measures of all the selected companies based on twelve parameters such as disclosure on composition of board, chairman and CEO of board, disclosures on age and tenure of directors, disclosures on post board meeting follow-up, disclosures on committees and sub-committees, code of conduct, CEO/CFO certification, auditor's certificate, a separate remuneration committee, disclosures on means of communication and general body meetings, appointment of woman director and requisite number of independent directors. Upon analysis, it was found that ONGC ranks first under corporate governance guidelines, followed by BHEL, NTPC, GAIL, BEL, HPCL, SAIL and MTNL.

ABSTRACT

Corporate governance has become a vital part of any business organisation, not only for strengthening the ethical values of a company but also for efficiency in decision making and day-to-day business activities. In India, corporate governance in the public sector has been driven by the Companies Act 2013, Securities and Exchange board of India (SEBI) Regulations, and Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises. This paper deals with the study of corporate governance practices followed by eight listed Public Sector Undertakings and a comparative analysis based on their corporate governance reports, annual reports and corporate social responsibility activities.

1. INTRODUCTION

Corporate governance is described as the system of internal controls and procedures by which individual companies are managed. It provides a framework that defines the rights, roles and responsibilities of various groups within an organisation. It refers to the arrangement of checks, balances and incentives a company needs in order to minimise and manage the conflicting interests between the directors, managers and the shareholders.

Corporate governance aims at enhancing the credibility and accountability of the company and to avoid any mass disorder in the financial system. It distributes the responsibilities among the participants of a corporation such as managers, directors, shareholders, employees, creditors, suppliers and customers. While helping in the decision-making processes, it also mitigates a lot of the risks associated with the corporation such as default risks by increasing the transparency of the management of the company and reduces the cost of capital.

India is a mixed economy consisting of both public and private sector. While the private sector consists of profit-driven entities, the role of the public sector is to promote welfare and public interest. The Central as well as state government plays an important role in governing Central and state public sector undertakings by financing, nominating the board of directors and management of these companies and monitoring their functioning. Various initiatives have been taken by the Central authorities to implement corporate governance in PSUs which have been directed mainly by Companies Act, 2013, Securities and Exchange board of India (SEBI) Regulations and Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises.

The elements of corporate governance include

- Board structure
- Board composition
- Insider shareholdings
- Ownership concentration
- Chairman and CEO of the board
- Board committees
- Auditors of the firm
- Board meetings and procedures
- Remunerations of directors and management
- Compliance of corporate governance under SEBI regulations
- Disclosures
- CEO/CFO certification
- Whistle-blower policy and prevention of insider trading

However, government interference impedes the efficiency of these PSUs by questioning their independence and autonomy, delays in decision making, red-tapism and bureaucracy and even corruption which lead to losses and even failures of these PSUs. There are problems related to transparency, conflicts of interest, nomination of independent directors, remunerations of directors and management, quality of audit committee, engaging in non-productive activities etc.

2. RESEARCH OBJECTIVES

- To describe corporate governance and its role in public sector.
- To emphasise the importance of corporate governance in corporations.
- To identify the elements of good corporate governance.
- To study the legislative framework of corporate governance in public sector enterprises.
- To analyse measures taken by Indian PSUs towards corporate governance.
- To compare some listed PSUs on the basis of their corporate governance policies.

3. REVIEW OF LITERATURE

Pankaj Sinha and Anushree Singhal performed a study of corporate governance in Public Sector Undertakings of India in 2012 which emphasised various aspects of corporate governance such as managerial autonomy, independence and the roles of directors, transparency of the corporations etc. S Subramanian, in his research paper, compared governance practices pursued by public sector enterprises with those of private sector enterprises. Another research paper by Chandrani Chattopadhyaya on corporate governance and Public Sector Units in India draws attention to the current scenario of corporate governance measures taken by PSUs under SEBI regulations and Companies Act 2013 and challenges faced by them which hinders the efficiency and proper functioning of these PSUs.

4. RESEARCH METHODOLOGY

Interpretive research philosophy is used for the project. The approach of the study is deductive in nature, based on secondary data. The sources of data for the project include annual reports of various Indian PSUs (corporate governance reports, independent auditors' reports, reports on ESG, corporate social responsibility and sustainable development). The analysis of measures taken by PSUs is longitudinal whereas comparative analysis between various PSUs is cross-sectional. Criteria for selection of the PSUs for the study was that the company must be listed i.e. their stocks must be included and traded in BSE or NSE. A diversified basket of companies are selected from various industries such as capital goods, metal and metal products, oil and gas, power and telecommunications industry to get an overall idea of the performance of PSUs of all these sectors. Leading CPSUs of respective industries are taken for study to analyse the current scenario of corporate governance at the top level of public sector enterprises of India.

5. CORPORATE GOVERNANCE IN PUBLIC SECTOR OF INDIA

5.1. THE CONCEPT OF CORPORATE GOVERNANCE

The core of corporate governance constitutes of integrity, transparency, accountability and credibility. The root of the word governance is from 'gubernate' which means to steer. Corporate governance refers to all the processes involved in meeting the objectives of the corporations in an attempt to align the interests of shareholders, directors, management, creditors, suppliers, employees and the customers. It is concerned with the direction and methods of governance of entities rather than business management for profit maximisation as it gives importance to the role of business

ethics and corporate social responsibility in business activities, paving the way towards sustainable development of the entity with strong moral values. The structure of corporate governance allocates the rights and responsibilities of different participants of the company and defines the rules and regulations for decision making, setting the objectives and methods used to reach the targets as well as monitoring and evaluating their performance.

5.2. NEED FOR CORPORATE GOVERNANCE

Corporate governance plays a vital role in every business entity. It ensures quality decision making, effective management and long term prosperity of companies and enhances investors' trust which ultimately attracts global investments and aids in the integration and strengthening of the financial system. It helps in combating corruption by preventing frauds and malpractices within the corporation. Widespread, excess of shareholdings' concentration, higher expectations of customers and large number of corporate scams taking place have created a need for good governance at intra and inter levels within organisations.

5.3. PUBLIC SECTOR UNDERTAKINGS OF INDIA

All companies the majority of whose stocks are owned by the Union government or state government or both qualify to be a PSU. The consideration for setting up PSUs took place under the Second Five Year Plan and Industrial Policy Resolution of 1956 to meet former Prime Minister Jawaharlal Nehru's national industrialisation policy. The goals of setting up these PSUs were to strengthen the industrial base of the economy and generate employment and income. The 1991 Indian economic crisis changed the direction of the government-led industrial policy to disinvesting and expansion of the private sector.

PSUs can be classified into Central Public Sector Undertakings (CPSUs) or State Level Public Enterprises (SLPEs). Greater autonomy has been given to CPSUs for their performance in the global market. On the basis of autonomy, PSUs are categorised into Maharatnas, Navratnas and Miniratnas. Apart from PSUs, there are 18 public sector banks and one state owned payments bank in India. As on 13 September 2017, there

are 8 Maharatnas, 16 Navratnas and 74 Miniratnas. There are nearly 300 CPSEs (Central Public Sector Enterprises) in total. Parameters of awarding Ratna status are:

- **Maharatna** - Three years with an average annual net profit of over Rs. 2500 crore, OR Average annual net worth of Rs. 10,000 crore for 3 years, OR average annual turnover of Rs. 20,000 crore for 3 years.
- **Navratna** - A score of 60 (out of 100), based on six parameters which include net profit, net worth, total manpower cost, total cost of production, cost of services, PBDIT (Profit Before Depreciation, Interest and Taxes), capital employed, etc., AND a company must first be a Miniratna and have 4 independent directors on its board before it can be made a Navratna.
- **Miniratna Category I** - Have made profits continuously for the last three years or earned a net profit of Rs. 30 crore or more in one of the three years.
- **Miniratna Category II** - Have made profits continuously for the last three years and should have a positive net worth.

5.4. LEGISLATIVE FRAMEWORK OF CORPORATE GOVERNANCE IN PUBLIC SECTOR ENTERPRISES

As the government is the largest shareholder in public sector undertakings/ Central Public Sector Enterprises (CPSEs), it is required to set high standards of governance to be followed by them. Therefore, guidelines for corporate governance for CPEs were introduced in the year 2007 to ensure higher level of transparency, accountability and credibility. These guidelines were issued by the Department of Public Enterprises (DPE) at both Centre and state level. Apart from the guidelines by DPE, Companies Act 2013, regulations of various authorities such as Securities and Exchange board of India (SEBI), Comptroller and Auditor General of India (CAG), Central Vigilance Commission (CVC) and other administrative ministries govern the corporate governance policies of these CPSEs. CPSEs are categorised into listed and non-listed enterprises on the Stock Exchange. Listed enterprises have to follow SEBI Guidelines (Clause 49 of SEBI listing agreement) and must not contradict any provision. Non-listed companies are required to comply with corporate governance guidelines by the Department of Public Enterprises (DPE).

5.5. COMMITTEES FORMED ON CORPORATE GOVERNANCE

5.5.1. KUMAR MANGALAM BIRLA COMMITTEE (2000)

A committee under the chairmanship of Kumar Mangalam Birla was set up by Securities and Exchange board of India (SEBI) to upgrade corporate governance policies in the financial sector. This was the first attempt to evolve a code of corporate governance in Indian companies. The recommendations of the committee led to the introduction of clause 49 of listing agreement in the year 2000. Some of the important conclusions of the recommendations of the committee were:

- The board of directors of any company should comprise executive as well as non-executive directors with a minimum of 50% non-executive directors in the board.
- board meetings should be held a minimum of four times in a year with a maximum time lag of four months.
- An independent and qualified audit committee should be set up by the board chaired by an independent director.
- A remuneration committee should be set up by the board consisting of at least three non-executive directors, chaired by an independent director. A proper disclosure should be made regarding the compensation of all the directors and management.
- All the required information like disclosures, annual and quarterly reports, presentations made by companies etc should be put up on the company's website.

5.5.2. NARESH CHANDRA COMMITTEE (2002)

In the year 2002, the Naresh Chandra Committee was formed to examine and make certain amendments to the law involving client-auditor relationship and the role of independent directors. The recommendations of the committee included specifications of disqualifications for audit assignments, list of prohibited non-audit services such as outsourcing financial services, actuarial services, brokers, dealers or investment banking services or any form of staff recruitment, auditors' disclosures on qualifications, contingent liabilities, certification on independence and appointment, CEO/CFO Certification as well as setting up an independent quality review board. The recommendations also emphasised the definition of independent director, their role, training and remuneration, adequate percentage of directors, minimum board size and additional disclosures to directors.

5.5.3. N R NARAYANA MURTHY COMMITTEE (2003)

After analysing the loopholes of clause 49, SEBI constituted a committee under the chairmanship of Infosys co-founder N R Narayana Murthy for revision of the clause and modification of the codes of corporate governance. The highlights of the recommendations of the committee included revised duties of the audit committee to review audit reports, financial statements and reports relating to compliance, management letters and records of related party transactions. It also made it mandatory for the board of a company to lay down the code of conduct for all the board members and senior management of a company which should be regularly updated on the company's website. The companies are also required to deny all personal access to the audit committee and provide proper protection to whistle-blowers from termination or any prejudice in employment practices.

5.5.4. DR. J J IRANI COMMITTEE ON COMPANY LAW (2005)

A committee was formed by the government under the chairmanship of Dr. J J Irani, Director, Tata Sons, with the objective to formulate a simple compact law to address all the changes taking place in the domestic and global market under the proposed revisions of the Companies Act 1956 to strengthen financial integrity and adopt international accepted best practices for corporate governance. It led to the evolution of new arrangements in business models which provided for a desirable code for corporate governance with respect to board size and composition, appointment and remuneration of directors, annual general meetings, committees and sub-committees of the company and key managerial personnel.

5.6. KEY FEATURES OF CORPORATE GOVERNANCE IN COMPANIES ACT, 2013

1. The strength of the number of independent directors for the prescribed companies under Section 149(4) read with Rule 4 of Companies (Appointment and Qualifications of directors) Rules, 2014 for listed public company is at least one-third of total number of directors and public companies having turnover of Rs 100 crore or more at least two directors and public companies having paid-up capital of Rs 10 crore or more at least two directors.
2. The board of directors of every listed company and the following classes of companies, as prescribed under Rule 6 of Companies (Meetings of board and its powers) Rules, 2014 shall constitute an Audit Committee.
 - All public companies with a paid-up capital of Rs.10 crore or more;
 - All public companies having turnover of Rs.100 crore or more;
3. Companies Act, 2013 has mandated the internal audit for certain classes of companies as specified under Section 138 of the Companies Act, 2013.
4. Section 135 of the Companies Act provides the threshold limit for applicability of Corporate Social Responsibility to a company :
 - Net worth of the company to be Rs 500 crore or more
 - Turnover of the company to be Rs 1000 crore or more;
 - Net profit of the company to be Rs 5 crore or more.

Every company as prescribed in Section 135 of the Act and Company Rules, 2014 within the threshold limit requires spending of at least 2% of its average net profit for the immediately preceding three financial years on CSR activities. Further, the company will be required to constitute a committee (CSR committee) of the board of directors (board) consisting of three or more directors.

5. Section 211 (1) of the Companies Act, 2013 shall establish an office called the Serious Fraud Investigation office to investigate fraud relating to the company. The powers are given to SFIO under the act as mentioned so that he can investigate into the affairs of the company or on receipt of the report of the registrar or inspector or in the public interest or request from any department of the Central government or state government.

6. LIST OF PSUs TAKEN FOR THE STUDY

- BHARAT HEAVY ELECTRICALS LIMITED (BHEL)
- STEEL AUTHORITY OF INDIA LIMITED (SAIL)
- NATIONAL THERMAL POWER CORPORATION LIMITED (NTPC)
- GAS AUTHORITY OF INDIA LIMITED (GAIL)
- BHARAT ELECTRONICS LIMITED (BEL)
- OIL AND NATURAL GAS CORPORATION LIMITED (ONGC)
- HINDUSTAN PETROLEUM CORPORATION LIMITED (HPCL)
- MAHANAGAR TELEPHONE NIGAM LIMITED (MTNL)

6.1. BHARAT HEAVY ELECTRICALS LIMITED

According to Section 2(45) of the Companies Act, 2013, BHEL is a ‘government company’ as 63.06% of the total paid-up share capital of the company is held by the Central government through the President of India.

COMPOSITION OF BOARD

Category of Directors	Board Structure	Actual strength as on 31 st March ,2018	Actual strength as on 31 st March ,2017	Actual strength as on 31 st March ,2016
Chairman and Managing Director	1	1	1	1
Whole-time Executive	5	4	5	4

(Functional) Directors				
Part-time Official Directors (Government Nominees)	2	2	2	2
Part-time Non- Official (Independent) Directors	8	6	6	5
TOTAL	16	13	14	12

NO. OF BOARD MEETINGS HELD

YEAR ON WHICH MEETINGS WERE HELD	NO. OF BOARD MEETINGS
2017-18	9
2016-17	8
2015-16	10

CODE OF CONDUCT

Pursuant to the erstwhile Listing Agreement with the Stock Exchanges, the board of directors of BHEL in its 465th meeting held on November 14, 2014 revised and approved the “Code of Business Conduct & Ethics for board Members and Senior Management Personnel” of the company. The code is also in compliance with the current Listing Regulations. The code encompasses:

- General moral imperatives;
- Specific professional responsibilities; and
- Specific additional provisions for board members and senior management personnel.

AUDITORS OF THE FIRM

The audit committee comprises at least two-thirds members as independent directors as mandated by the Listing Regulations. Further, the committee is chaired by an independent director. The member directors comprise professionals of repute and standing with background in commerce, finance, administration and governance.

STAKEHOLDERS RELATIONSHIP COMMITTEE

The board of directors on May 12, 2014 reconstituted the shareholders'/ investors' grievance committee as the stakeholders relationship committee, in line with the requirements of Companies Act, 2013 and erstwhile Listing Agreement. The committee looks into the redressal of grievances of shareholders including complaints related to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.

REMUNERATION COMMITTEE

BHEL being a public sector undertaking, the appointment and remuneration of chairman and managing director/ functional directors are decided by the government of India. The terms of appointment of chairman & managing director / directors, as approved by the President of India, provide for the fixation of certain perks and benefits like leased accommodation, payment of HRA, furnished accommodation, productivity linked incentive etc., as per the rules of BHEL. The part-time non-executive directors are not paid any remuneration except sitting fees to independent directors for attending meetings of the board or committee thereof.

SHARE TRANSFER COMMITTEE

The board constituted a share transfer committee on March 25, 1992. The Share Transfer Committee considers and approves share related issues pertaining to transposition, sub-division, consolidation, issue of duplicate share certificate etc. in physical mode. The Share Transfer Committee comprises Director (HR) as chairperson, Director (E, R &D) and Director (Finance) as members.

DISCLOSURES

- I. The company has not entered into any materially significant related party transactions (RPTs) that may have potential conflict with the interests of the company at large.
- II. No non-compliance has occurred nor has any penalty or stricture been imposed on the company in the last three years.

- III. All mandatory requirements of the DPE Guidelines on Corporate Governance for CPSEs and SEBI (Listing Obligations and Disclosure Requirements), 2015 have been duly complied with by the company except those relating to required number of independent directors on the board.
- IV. Compliance certificate on corporate governance is enclosed in the annual reports of the company every year.

WHISTLE BLOWER POLICY

In pursuance of the DPE Guidelines on Corporate Governance for Central Public Sector Enterprises and Clause 49 of the Listing Agreement between listed companies and the stock exchanges and Section 177 of the Companies Act, 2013, a detailed whistle blower policy was drafted by the company and it was duly approved by the board of directors in its 464th meeting held on August 12, 2014.

REVIEW OF CORPORATE GOVERNANCE OF BHEL

- I. The company has sufficiently disclosed the composition of the board of directors.
- II. The definition of 'independent director' is available in the annual report of Bharat Heavy Electricals Ltd (BHEL) unlike any of its peer capital goods companies of India.
- III. The company does not have any non executive independent director. The company has a non promoter executive chairman cum MD / CEO.
- IV. The company has sufficiently disclosed the tenure and age limit of directors.
- V. A systematic disclosure about the post board meeting follow-up system is not sufficiently available in the annual report of the company.
- VI. BHEL has formed various committees and sub-committees of the board such as Shareholders' / Investors Grievance Committee, Remuneration / Compensation Committee, Audit Committee, Share Transfer Committee etc.
- VII. The company has sufficiently disclosed the means of communication and general shareholders information in its annual reports.
- VIII. The company has sufficiently disclosed about:
 - i) Location and time of general meetings held in last three years.
 - ii) Details of special resolution passed in last three AGMs \ EGMs.

iii) Details of resolution passed last year through postal ballot including conducting official and voting process.

- IX. The company has CEO/CFO certification.
- X. The information regarding corporate social responsibility is adequately provided in the report of BHEL.
- XI. The composition of the board of directors is not in compliance with the Regulation 17(1) (b) of Securities and Exchange board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Para 3.1.4 of the DPE Guidelines on Corporate Governance as the company did not have the requisite number of independent directors on its board.

6.2. STEEL AUTHORITY OF INDIA LIMITED

BOARD OF DIRECTORS

The structure of board of directors is as follows:

Category of Directors	Actual strength as on 31 st March ,2018	Actual strength as on 31 st March ,2017	Actual strength as on 31 st March ,2016
Chairman and Managing Director	1	1	1
Whole-time Executive (Functional) Directors	5	6	6
Part-time Official Directors (Government Nominees)	1	2	2
Part-time Non-Official (Independent) Directors	7	6	6
TOTAL	14	15	15

AUDIT COMMITTEE

The audit committee comprises all independent directors. The primary function of the audit committee is to assist the board of directors in fulfilling its oversight responsibilities by reviewing the financial reports; the company's systems of internal financial controls, accounting and legal compliance that management and the board have established; and the company's auditing, accounting and financial reporting process generally.

NOMINATION & REMUNERATION COMMITTEE

The committee comprises the chairman, four independent directors and one government nominee director. Being a government company, the nomination and fixation of terms and conditions for appointment as director, are made by government of India. However, the company has constituted a Committee on Nomination & Remuneration to, inter-alia, look into various HR issues, matters prescribed under the Companies Act, 2013 and SEBI Regulations, finalisation of Performance Related Pay (PRP) for the executives of the company in terms of Department of Public Enterprises Guidelines on Corporate Governance for Central Public Sector Enterprises, etc.

STAKEHOLDERS' RELATIONSHIP COMMITTEE

A stakeholders' relationship committee comprising one independent director and two whole time directors as members is functioning to consider and resolve the grievances of the security holders of the company including complaints related to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend, etc.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Corporate social responsibility is the company's commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner, whereby organisations serve the interests of society, by taking accountability for their actions. The board of directors of the company has constituted a Corporate Social Responsibility Committee and has also approved the Corporate Social Responsibility Policy of the company.

RISK MANAGEMENT COMMITTEE

The company has constituted the SAIL Risk Management Committee and the Chief Risk Officer of the company is acting as the secretary of the committee. The company has

formulated a Risk Management Policy for dealing with different kinds of risks which it faces in day-to-day operations.

CODE OF CONDUCT

The board has laid down a code of conduct covering the requirements to be complied with by all the board members and senior management personnel of the company. An affirmation of compliance with the code is received from them on an annual basis.

DISCLOSURES

- I.** *Letter of appointment to independent directors:* SAIL being a government company, directors on its board are nominated/appointed by the government of India. The independent directors have provided the declaration of independence, as required under Section 149(7) of the Companies Act, 2013 stating that they meet the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013.
- II.** *Pecuniary Relationship:* There were no transactions by the company of a material nature with promoters, directors or the management, their subsidiaries, relatives, etc. that can have conflicts with the interests of the company. The non-executive directors had no pecuniary relationships or transactions vis-à-vis the company during the year except receipt of sitting fee paid to independent directors for attending the meetings of the board/board sub-committee. None of the non-executive directors held any share/convertible instrument of the company.
- III.** *Cases of Non-Compliance:* There were no instances of non-compliance by the company, penalties, strictures imposed on the company by stock exchanges or SEBI or any statutory authority, on any cases related to capital markets, during the last three years. However, there has been a case of delay in transferring Rs.64,85,490/- being the amount of unpaid dividend for financial year 2008-09, required to be transferred, to the Investor Education and Protection Fund by the company.

WHISTLE BLOWER POLICY

The company has adopted the whistle blower policy of the Central Vigilance Commission (CVC) and it has not denied access to any personnel to approach the Audit Committee/ Management on any issue. The company has also formulated a vigil mechanism for conducting

the affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behaviour. All employees of the company and directors on the board of the company are covered under this provision. This mechanism has been established for employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the code of conduct. It also suffices for requisite safety measures against the victimisation of employees who avail of the mechanism and allows direct accessibility to the chairperson of the Audit Committee in exceptional cases.

REVIEW OF CORPORATE GOVERNANCE OF SAIL

- I.** The company has sufficiently disclosed the composition of the board of directors.
- II.** The company has a non-promoter executive chairman.
- III.** The company has sufficiently disclosed the tenure and age limit of the directors.
- IV.** A systematic disclosure about the post board meeting follow-up system is not sufficiently available in any annual report of SAIL.
- V.** The company has sufficiently disclosed about the various committees and sub-committees of the board including audit committee, nomination and remuneration committee, stakeholders' relationship committee, risk management committee, corporate social responsibility committee etc.
- VI.** The company has sufficiently disclosed about the means of communication and general shareholders information in its annual reports.
- VII.** The company has CEO/CFO certification.
- VIII.** The company received a qualified opinion in the independent auditors' report for the year 2017-18 (latest available annual report) as the company has not provided for:
 - (i) Entry tax amounting to 1796.03 crore.
 - (ii) Amount paid to Damodar Valley Corporation (DVC) against bills raised for the supply of power and retained as advance to DVC by Bokaro Steel Plant amounting to 587.72 crore.
 - (iii) As per the 9th National Joint Committee on Steel (NJCS) Agreement dated 1st July, 2014 signed by the company, contribution by The company towards proposed pension fund for non-executive employees was stipulated at 6% of basic pay and DA. Pending revision of the said agreement and against reservation of representatives of non-executive employees, management of the company has unilaterally reduced the rate of contribution towards the said pension fund to 2% of basic pay and DA.

IX. The company has not complied with the requirements of the minimum number of independent directors in the composition of the board of directors for the year ended 31st March, 2017.

SPECIAL NOTE

The company has won the SCOPE Meritorious Award for Corporate Governance for 2010-11 and Golden Peacock Award for Corporate Governance, by the Institute of directors, India, for the year 2016.

6.3. NATIONAL THERMAL POWER CORPORATION

NTPC is a government company within the meaning of Section 2(45) of the Companies Act, 2013.

COMPOSITION OF BOARD

Category of Directors	Actual strength as on 31 st March ,2018	Actual strength as on 31 st March ,2017	Actual strength as on 31 st March ,2016
Chairman and Managing Director	1	1	1
Whole-time Executive (Functional) Directors	6	6	5
Part-time Official Directors (Government Nominees)	1	2	2
Part-time Non-Official (Independent) Directors	7	3	3
TOTAL	15	12	11

NO. OF BOARD MEETINGS HELD

YEAR ON WHICH MEETINGS WERE HELD	NO. OF BOARD MEETINGS
2017-18	13
2016-17	14
2015-16	13

As provided under Schedule IV of the Companies Act, 2013 and also as per Regulation 25(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate meeting of independent directors was held in every year.

COMMITTEES OF THE BOARD OF DIRECTORS

With a view to ensure effective decision making, the board of directors has constituted various committees to have focused attention on crucial issues. Some of these committees have been constituted voluntarily even though there is no legal requirement under the Companies Act 2013 or SEBI LODR. The board has established the following major committees such as audit committee, stakeholders' relationship committee, remuneration committee, nomination and remuneration committee including PRP, committee of directors on corporate social responsibility and sustainability, committee on management controls, projects sub-committee, committee of functional directors for contracts, contracts sub-committee, committee of the board for allotment and post allotment activities of NTPC's securities, committee for vigilance matters, exchange risk management committee, risk management committee, committee of directors on fuel management and development and operation of coal blocks and committee on business development.

AUDIT COMMITTEE

The composition, quorum, scope, etc. of the audit committee are in line with the Companies Act, 2013, SEBI LODR and Guidelines on Corporate Governance as issued by Department of Public Enterprises, Govt. of India. The committee comprises four independent directors and one government nominee director.

STAKEHOLDERS' RELATIONSHIP COMMITTEE

This committee considers and resolves the grievances of security holders of the company inter-alia including grievances related to transfer of shares, non-receipt of annual report, non-receipt of dividend etc. The committee comprises three independent directors and one executive director.

REMUNERATION COMMITTEE FOR PRP

As per the provisions of the DPE Guidelines, a remuneration committee was constituted to decide the annual bonus/ variable pay pool and policy for its distribution within the limits prescribed under the DPE guidelines. The board of directors, in its 451st meeting held on 13th November, 2017, had decided to merge the Remuneration Committee for PRP and Nomination & Remuneration Committee. The committee consists of three independent directors.

NOMINATION AND REMUNERATION COMMITTEE INCLUDING PRP

As per the requirements of Section 178 of the Companies Act, 2013 and Regulation 19 of SEBI LODR, a nomination and remuneration committee of the directors was constituted. As mentioned above, the board of directors in its 451st meeting held on 13th November, 2017 decided to merge the existing Remuneration Committee for PRP with Nomination and Remuneration Committee and renamed the committee as Nomination and Remuneration Committee including PRP.

COMMITTEE ON MANAGEMENT CONTROLS

This committee has been constituted for establishing transparent and effective system of internal monitoring. This committee, inter alia, reviews significant deviations in project implementation and construction, operation and maintenance budgets etc.

CONTRACTS SUB-COMMITTEE

This committee approves award of works or purchase contracts or incurring commitments of value exceeding Rs 250 crore but not exceeding Rs 500 crore, consultancy assignments including foreign consultancy assignments exceeding Rs 5 crore each and appointment of sponsor/ agents for overseas consultancy assignments involving sponsorship/ agency commission exceeding Rs 5 crore each.

COMMITTEE OF FUNCTIONAL directors FOR CONTRACTS

This committee has been constituted for the award of works or purchase contracts or incurring of commitments exceeding Rs 150 crore but not exceeding Rs 250 crore.

EXCHANGE RISK MANAGEMENT COMMITTEE

This committee has been constituted to review the foreign currency loan portfolio, hedged and un-hedged exposures and effectiveness of hedging strategy, approve amendments in Exchange Risk Management Policy, new derivative instruments, hedging proposals etc.

RISK MANAGEMENT COMMITTEE

Pursuant to Regulation 21 of SEBI LODR, a risk management committee has been constituted for risk assessment under the Risk Management Framework, monitor and review risk management plan/framework as approved by the board; inform the board about the risk assessed and action required to be taken/ already taken for mitigating the risks on quarterly basis by the Chief Risk Officer (CRO) and take up any other matter as directed by the board from time to time.

CODE OF CONDUCT

The company has in place code of conduct for directors and senior management personnel with a view to enhance the ethical and transparent process in managing the affairs of the company. This code is applicable to all the board members including government nominees & the independent directors and the senior management personnel of the company.

DISCLOSURES

- The company has formulated a Related Party Transaction (RPT) Policy containing criterion of deciding materiality of related party transactions and dealing with related party transactions.
- There were no penalties or strictures imposed on the company by any statutory authorities for noncompliance on any matter related to Indian capital markets, during the last three years.
- The company has broadly complied with all the requirements of SEBI LODR, the Companies Act, 2013 and Guidelines on Corporate Governance for Central Public Sector Enterprises issued by Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises, Government of India,

WHISTLE BLOWER POLICY

The company has a board approved 'Whistle Blower Policy' for directors and 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. It also provides safeguards against victimisation of employees, who avail the mechanism and for direct access to the chairman of the Audit Committee.

REVIEW OF CORPORATE GOVERNANCE OF NTPC

- The company has sufficiently disclosed the composition of the board of directors, their age limit and tenure.
- NTPC has a non-promoter executive chairman.
- The systematic disclosure about the post board meeting follow-up system is not sufficiently available in any annual report of the company.
- The company has disclosed about the various committees and sub-committees of the board.
- NTPC have not adequately disclosed about audit committee charter and terms of reference.
- The company has a CEO/CFO certification.
- The company has a clean report from the auditors.
- The company has not complied with the Listing Regulations & Companies Act, 2013, with regard to the appointment of minimum number of independent directors in the composition of the board of directors, except for the period 24/10/2017 to 30/1/2018, where company has sufficient number of independent directors.

SPECIAL NOTE

The company received ASSOCHAM Corporate Governance Excellence Award – 2014-15 for listed companies in PSU category in recognition for outstanding governance practices undertaken by the company and the Golden Peacock Global Award for Excellence in Corporate Governance by the World Council for Corporate Governance for the year 2014. This award was also received by the company during the years 2007, 2009 and 2012.

6.4. GAS AUTHORITY OF INDIA LIMITED

COMPOSITION OF BOARD

The company is a government company under the administrative control of the Ministry of Petroleum and Natural Gas, Government of India. The directors are, therefore, nominated/ appointed by the Government of India.

The structure of board of directors is as follows -

Category of Directors	Actual strength as on 31 st March ,2018	Actual strength as on 31 st March ,2017	Actual strength as on 31 st March ,2016
Chairman and Managing Director	1	1	1
Whole-time Executive (Functional) Directors	4	3	3
Part-time Official Directors (Government Nominees)	2	2	2
Part- time Non- Official (Independent) Directors	7	5	4
TOTAL	14	11	10

*Ms. Indrani Kaushal, woman director, joined the board of the company w.e.f. 22.09.2017.

NO. OF BOARD MEETINGS HELD

YEAR ON WHICH MEETINGS WERE HELD	NO. OF BOARD MEETINGS
2017-18	15
2016-17	18
2015-16	18

The independent directors met separately without the presence of non-independent directors and the members of the management on 16.03.2016, 5.12.2016 and 12.01.2018 for the respective financial years as per requirement of The Companies Act 2013 and SEBI (LODR) Regulations, 2015.

CODE OF CONDUCT

The board of directors of the company has adopted the code of conduct for directors and senior management personnel. The code is applicable to executive and non-executive directors as well as senior management personnel. As per the SEBI Regulations, the duties of independent directors have been suitably incorporated in the said code. board members and senior management personnel have armed compliance with the code of conduct of the company for all the respective financial years.

AUDIT COMMITTEE

The terms of reference of the audit committee is in accordance with provision of The Companies Act, 2013, SEBI (LODR) Regulations, 2015 and the DPE Guidelines on Corporate Governance. The committee comprised three non-executive (Independent) Directors and one functional executive director as the members, chaired by an independent director as on 31st March, 2018. All members of the committee have requisite experience in financial and management matters.

NOMINATION AND REMUNERATION COMMITTEE

GAIL being a government company, the remuneration of its whole-time directors is determined by the government of India. The part-time director(s) (government nominee) do not receive any remuneration from the company. The role of nomination and remuneration committee is as per SEBI (LODR) Regulations, 2015; The Companies Act, 2013 and DPE guidelines on Corporate Governance for Central Public Sector Enterprises, 2010. The committee comprises and is chaired by independent directors with Director (Finance) and Director (HR) being the permanent invitees to the meetings of nomination and remuneration committee.

STAKEHOLDERS RELATIONSHIP COMMITTEE

The terms of reference of the committee is to, inter-alia, look into the redressal of security holders of the company and matters relating to Registrar & Share Transfer Agent (R&TA). Further, the committee approves issuance of duplicate share certificate. The committee comprises two executive and two independent directors.

DISCLOSURES

- The company has formulated a Related Party Transaction Policy in terms of Regulation 23 of SEBI (LODR) Regulations, 2015.
- The company has formulated a Policy for Determination of Materiality and Disclosure to ascertain the requirement of disclosure of events or information to stock exchange(s) and determining criteria for determining materiality of events and information as specified under clause (ii) as per the requirement of Regulation 43A of SEBI (LODR) Regulations, 2015.
- As per the requirement of Regulation 43A of SEBI (LODR) Regulations, 2015, dividend distribution policy is in place.

POLICY ON WHISTLE BLOWER AND FRAUD PREVENTION

The company has implemented a Whistle Blower Policy wherein employees are free to report any improper activity resulting in violations of laws, rules, regulations or code of conduct by any of the employees, to the competent authority. Central Vigilance Commission is authorised to inquire into the complaints from whistle blowers and take requisite action. During the enquiry of any complaint, under the whistle blower policy, the identity of the informant is not disclosed by the designated agency entrusted with investigation even to the chairperson of the audit committee except the contents of the complaint. Further, the company has framed the Fraud Prevention Policy to prevent, detect and allow for speedy disposal of fraud or suspected fraud.

REVIEW OF CORPORATE GOVERNANCE OF GAIL

- I. The company has sufficiently disclosed the composition of the board of directors.
- II. The company has a non promoter executive chairman cum managing director.
- III. A systematic disclosure about the post board meeting follow-up system is not sufficiently available in the annual report of the company.
- IV. The company has appointed one woman director from 2017 onwards.

- V. The company has disclosed about the various committees and sub-committees of the board in an adequate manner.
- VI. The company has sufficiently disclosed about the remunerations of all the directors.
- VII. The company has a CEO/CFO certification.
- VIII. The company has formed a share transfer committee and a shareholders' /investors grievance committee as well.
- IX. The company has disclosed about all the significant related party transactions.
- X. The company has given full disclosure about the means of communication, shareholders' concentration and general shareholder information in its annual reports.
- XI. The company has not complied with the requirements of regulation 17(1) of Listing Regulations - 2015, with regard to the composition of the board of directors comprising at least 50% non-executive directors and at least one woman director during the period 1st April 2017 till 21st September 2017 in the financial year 2017-18.
- XII. The company has not complied with regulation 17 (10) of the Listing Regulations-2015, which requires performance evaluation of independent directors by the entire board of directors and the company has not complied with regulation 25 (4) of the Listing Regulations - 2015, which requires a review of the performance of non-independent directors, the chairperson and the board of directors as a whole.

6.5. BHARAT ELECTRONICS LIMITED

Pursuant to Companies Act, BEL is a government company as 66.79% of the total paid-up share capital of the company is held by the President of India.

COMPOSITION OF BOARD

Category of Directors	Actual strength as on 31 st March ,2018	Actual strength as on 31 st March ,2017	Actual strength as on 31 st March ,2016
Chairman and Managing Director	1	1	1
Whole-time Executive	5	5	6

(Functional) Directors			
Part-time Official Directors (Government Nominees)	1	1	1
Part-time Non- Official (Independent) Directors	7	4	4
TOTAL	14	11	12

NO. OF BOARD MEETINGS HELD

YEAR ON WHICH MEETINGS WERE HELD	NO. OF board MEETINGS
2017-18	9
2016-17	6
2015-16	5

The independent directors met annually, inter alia, to review: (i) The performance of non-independent directors and the board as whole. (ii) The performance of chairman of the company, taking into account, the views of executive and non-executive directors. (iii) Quality, content and timelines of flow of information between the management and the board.

AUDIT COMMITTEE

The composition of the audit committee is in line with Section 177 of Companies Act 2013 (the Act), Regulation 18 of SEBI (LODR) Regulations 2015, and DPE Guidelines. The company's audit committee consists of three independent directors and one government director.

NOMINATION AND REMUNERATION COMMITTEE

The composition of the nomination and remuneration committee is in line with Section 178 of the Companies Act, 2013 and Regulation 19 of SEBI (LODR) Regulations, 2015. The committee comprises the chairman, government nominee directors and independent directors.

STAKEHOLDERS' RELATIONSHIP COMMITTEE

The composition of the stakeholders' relationship committee is in line with section 178 of the Companies Act, 2013 and Regulation 20 of SEBI (LODR) Regulations 2015. The committee comprises two whole time executive directors and two independent directors.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

In pursuant to the provisions of section 135 of the Companies Act, 2013 and DPE Guidelines, the corporate social responsibility committee has been constituted. The committee comprises the chairman, three executive directors and two independent directors.

R&D COMMITTEE

The R&D committee comprising the chairman & managing director, two independent directors, director (R&D) and director (finance) has been constituted to consider and approve major research, development and engineering proposals.

CAPITAL INVESTMENT COMMITTEE

The capital investment committee comprising an independent director, director (Bangalore complex), director (other units) and director (finance) has been constituted to consider and approve major capital investment proposals.

CODE OF CONDUCT

Board of directors of the company have laid down a Code of Business Conduct and Ethics for all board members, KMPs and senior management of the company under Regulation 17(5) of SEBI (LODR) Regulations 2015 and DPE Guidelines.

WHISTLE BLOWER POLICY

The company has established a vigil mechanism and adopted a Whistle Blower Policy for directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the company's Code of Business Conduct and Ethics policy.

DISCLOSURES

- The company has not entered into any materially significant related party transactions that may have a potential conflict with the interests of the company at large.
- There were no cases of non-compliance by the company and no penalties / strictures were imposed on the company by the stock exchanges or SEBI or any other statutory authority on any matter related to capital markets in the last three years.
- Expenses incurred for the board of directors and top management are in the nature of salaries, allowances, perquisites, benefits and sitting fees as permissible under the rules of the company. No other expenses, which are personal in nature, were incurred for the board of directors and top management.
- No items of expenditure, other than those directly related to its business or incidental thereto, those spent towards the welfare of its employees / ex-employees, towards fulfilling its corporate social responsibility, were debited in the books of accounts.

REVIEW OF CORPORATE GOVERNANCE OF BEL

- The company has sufficiently disclosed the composition of the board of directors and their age and tenure.
- The company has a non-promoter executive chairman cum MD / CEO.
- The systematic disclosures about the post board meeting follow-up system are not sufficiently available in the annual report of the sample companies.
- Bharat Electronics Ltd has given information about the training to board members in its annual reports.
- The company has CEO/CFO certification.
- The company has a clean certificate from the auditors.
- The company has sufficiently disclosed the means of communication and general shareholders information in its annual reports.
- The company is yet to appoint the adequate number of independent directors as per the requirements of the listing regulations.

6.6. OIL AND NATURAL GAS CORPORATION LIMITED

COMPOSITION OF BOARD

The company is a government company under the administrative control of the Ministry of Petroleum and Natural Gas, Government of India. The directors are, therefore, nominated/appointed by the government of India.

The structure of board of directors is as follows:

Category of Directors	Actual strength as on 31 st March ,2018	Actual strength as on 31 st March ,2017	Actual strength as on 31 st March ,2016
Chairman and Managing Director	1	1	1
Whole-time Executive (Functional) Directors	5	6	6
Part-time Official Directors (Government Nominees)	2	2	2
Part-time Non-Official (Independent) Directors	9	7	3
TOTAL	17	16	12

NO. OF BOARD MEETINGS HELD

YEAR ON WHICH MEETINGS WERE HELD	NO. OF BOARD MEETINGS
2017-18	14

2016-17	11
2015-16	13

independent directors met thrice during the year 2017-18, and once every year since 2014.

CODE OF CONDUCT

Pursuant to Regulation 26(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 all the members of the board and senior management personnel have affirmed compliance with the code of conduct of the company.

AUDIT & ETHICS COMMITTEE

The terms and references for the audit & ethics committee are as provided under the Companies Act, 2013, Listing Regulations and Department of Public Enterprises (DPE) Guidelines on Corporate Governance for Central Public Sector Enterprises – 2010. The committee comprises two executive directors and six independent directors.

NOMINATION AND REMUNERATION COMMITTEE (NRC)

The company, being a government company, the appointment, tenure and remuneration of directors are decided by the government of India. Further, the remuneration of the employees of the company including senior management personnel is decided by the board in line with applicable DPE guidelines. The committee comprises two government nominee directors and six independent directors.

STAKEHOLDERS' RELATIONSHIP COMMITTEE (SRC)

SRC specifically look into various aspects of interest to the shareholders of the company. The committee also oversees and reviews the performance of the registrar and transfer agent and recommends measures for overall improvement in the quality of investor services. The committee also monitors the implementation and compliance of the company's code of conduct for prevention of insider trading in the company's securities.

OTHER COMMITTEES

Apart from the above, the board has constituted other statutory committees viz., Corporate Social Responsibility Committee, Risk Management Committee, Committee for Issue of Share

Certificates and other committees including Project Appraisal and Review Committee, Health Safety and Environment Committee, Committee on Dispute Resolution, Research and Development Committee, Committee for Review of Subsidiaries and Joint Ventures, Asha Kiran etc.

WHISTLE BLOWER POLICY

The whistle blower policy of the company provided ample opportunities to encourage the employees to register complaints against the unethical practices, actual or suspected fraudulent transactions in the organisation to the notice of the competent authority.

DISCLOSURES

- The company has not entered into any material financial or commercial transactions with the directors or the management or their relatives or the companies and firms, etc., in which they are either directly or through their relatives interested as directors and/ or Partners except with certain PSUs, where the directors are directors without the required shareholdings.
- The company has complied with applicable rules and the requirement of regulatory authorities on capital market and no penalties or strictures were imposed on the company during last three years.

REVIEW OF CORPORATE GOVERNANCE OF ONGC

- The company has sufficiently disclosed the composition of the board of directors.
- ONGC has a non-promoter executive chairman cum managing director.
- ONGC has sufficiently disclosed the tenure and age limit of all the directors.
- The systematic disclosure about the post board meeting follow-up system is sufficiently available in four annual reports of ONGC.
- A proper disclosure regarding the remuneration committee has been provided in the annual reports of ONGC.
- ONGC has formed certain distinct committees such as Share Transfer Committee, Investors Relations Cell, A separate Remuneration Committee, Environment Committee, Ethics Compliance Committee etc

- The company has sufficiently disclosed about the various points related to general body meetings in the annual report.
- The company has CEO/CFO certification.
- The company has a clean certificate from auditors.
- The composition of the board of directors of the company is in compliance with the Regulation 17 (1) of the Listing Regulations and the company has complied with the requirements relating to independent directors and woman director w.e.f. 23.09.2017.

6.7. HINDUSTAN PETROLEUM CORPORATION LIMITED

COMPOSITION OF BOARD

The company is a government company under the administrative control of the Ministry of Petroleum and Natural Gas, government of India. The directors are, therefore, nominated/appointed by the government of India.

The structure of the board of directors is as follows:

Category of Directors	Actual strength as on 31 st March ,2018	Actual strength as on 31 st March ,2017	Actual strength as on 31 st March ,2016
Chairman and Managing Director	1	1	1
Whole-time Executive (Functional) Directors	4	4	4
Part-time Official Directors (Government Nominees)	2	2	2
Part- time Non-Official	6	4	1

(Independent) Directors			
TOTAL	13	11	8

NO. OF BOARD MEETINGS HELD

YEAR ON WHICH MEETINGS WERE HELD	NO. OF BOARD MEETINGS
2017-18	13
2016-17	10
2015-16	8

As provided under Schedule IV of the Companies Act, 2013 and also as per Regulation 25(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate meeting of independent directors was held every year.

CODE OF CONDUCT

In compliance with the terms of Regulation 17 (5) (a) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, with stock exchanges, “Code of conduct for Board Members and Senior Management Personnel of Hindustan Petroleum Corporation Limited” has been devised by the corporation which also incorporates the duties of independent directors as envisaged in Regulation 17 (5) (b) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

AUDIT COMMITTEE

The audit committee comprises independent directors and whole-time director. The terms of reference of the audit committee are as provided under the Companies Act, 2013, Regulation 18 (3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

NOMINATION AND REMUNERATION COMMITTEE

The nomination and remuneration committee comprises independent directors and whole-time director. The terms of reference of the nomination and remuneration committee is as prescribed under Section 178 of the Companies Act, 2013 except to the extent of exemptions granted to

government companies. Since the remuneration of the whole-time functional directors and other officers is fixed by the government of India, HPCL did not feel the need for setting up a separate remuneration committee in view of the fact that the company is a government company.

RISK MANAGEMENT COMMITTEE

The board has constituted the risk management steering committee, to review the risk management and minimisation procedure in the corporation comprising chairman and whole-time directors of the board.

STAKEHOLDERS' RELATIONSHIP COMMITTEE

The board has constituted a Stakeholders' Relationship Committee comprising independent directors and Whole Time Director to specifically look into the redressal of grievances of shareholders, debenture holders and other security holders. The Committee reviews the status of Investors' Grievances and other important matters of investors' interest.

CSR & SUSTAINABILITY DEVELOPMENT COMMITTEE

The board has constituted a corporate social responsibility & sustainability development committee (CSR & SD) in line with Section 135 of the Companies Act, 2013 and DPE Guidelines, comprising independent directors and whole-time directors of the board.

INVESTMENT COMMITTEE

The board has constituted an investment committee comprising independent directors and whole-time director to review the investment in the projects of higher value before seeking approval of the board.

DISCLOSURES

- Being a government company, all the directors of HPCL are appointed by the government of India. There is no relationship inter se between directors.
- As required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the corporation has formulated a Policy on Materiality of Related Party Transactions.

- There have no instance of non-compliance by the company or penalties or strictures imposed on the company by any stock exchange or SEBI or any statutory authority, on any matter relating to capital markets during the last three years.
- The corporation is complying with the various mandatory and non-mandatory Corporate Governance Requirements envisaged under SEBI Regulations, 2015, and DPE Guidelines on Corporate Governance.
- The corporation's profitability is exposed to the risk of fluctuation in the prices of crude oil and petroleum products in international markets.
- The number of independent directors on the board of the company is less than the required number prescribed under the Regulation and Clause 3.1.4 of the DPE Guidelines.
- HPCL has implemented The Right to Information Act, 2005 (RTI) that became effective on 12th October, 2005.

REVIEW OF CORPORATE GOVERNANCE OF HPCL

- The company has sufficiently disclosed the composition of the board of directors.
- The company has a non-promoter executive chairman cum managing director.
- The systematic disclosure about the post board meeting follow-up system is sufficiently available in four annual reports of HPCL.
- The company has sufficiently disclosed about the remuneration policy of directors.
- The company does not have a separate remuneration committee since the remuneration of the whole-time functional directors and other officers is fixed by the government of India.
- The company has sufficiently disclosed about the various committees and sub-committees of the board including the audit committee, nomination and remuneration committee, stakeholders' relationship committee, risk management committee, CSR and sustainability development committee, investment committee etc.
- The company has a clean certificate from the auditor.
- The company has a CEO/CFO certification.
- The number of independent directors on the board of the company is less than the required number prescribed under the Regulation and Clause 3.1.4 of the DPE Guidelines.

6.8. MAHANAGAR TELEPHONE NIGAM LIMITED

Mahanagar Telephone Nigam Limited (MTNL) is a state-owned telecommunications service provider in the metro cities of Mumbai and New Delhi in India and in the island nation of Mauritius in Africa with 57% of its stock of the company held by the government of India.

COMPOSITION OF BOARD

Category of Directors	Actual strength as on 31 st March, 2018	Actual strength as on 31 st March, 2017	Actual strength as on 31 st March, 2016
Chairman and Managing Director	1	1	1
Whole-time Executive (Functional) Directors	2	2	2
Part-time Official Directors (Government Nominees)	2	2	2
Part- time Non- Official (Independent) Directors	6	2	2
TOTAL	11	7	7

NO. OF BOARD MEETINGS HELD

YEAR ON WHICH MEETINGS WERE HELD	NO. OF BOARD MEETINGS
2017-18	6
2016-17	10
2015-16	7

AUDIT COMMITTEE

The role and responsibilities of the audit committee in accordance with the provisions of the Companies Act 2013 and Regulation 18 of SEBI (LODR) 2015. The audit committee comprises independent directors of the board.

NOMINATION & REMUNERATION COMMITTEE

MTNL being a government company, the remuneration of its whole-time directors is determined by the President of India, through the Department of Telecommunication (DoT). The government nominee directors do not get any remuneration from the company. The committee consists of the chairman, three independent directors and one government nominee director.

THE STAKEHOLDERS RELATIONSHIP COMMITTEE

The stakeholders relationship committee looks into the investors' complaints and redressal thereof. The committee reviews the redressing of stakeholders' complaints like non-receipt of annual report, non receipt of dividend/interest, etc. The committee also oversees the performance of the registrar and transfer agents (RTA), and recommends measures for overall improvement in the quality of investor services. It consists of three independent directors.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The committee consists of the chairman, two executive directors, one government nominee director and four independent directors. Since MTNL is incurring losses for the last four years, and last three years' average is not showing profits, no fund has been earmarked for the CSR activities. Neither did any meeting take place in the recent year of study.

ENTERPRISE RISK MANAGEMENT COMMITTEE

The enterprise risk management committee (ERM) has been constituted to evaluate and present the risk management report of the company to the board which includes among other aspects, the identification of various risks, analysis of the risk management, risks associated with operational, technological and application systems processes related to internal controls and remedial measures for mitigating the same. It consists of three executive and five independent directors.

SHARE TRANSFER COMMITTEE

The company has constituted a share transfer committee (STC) consisting of two senior management level officers who look after the share transfer/transmission/transposition/remat/demat/consolidation/splitting of share earned. The committee reviews all such cases fortnightly.

CODE OF CONDUCT

The board of directors of MTNL has approved the code of conduct for directors, Key managerial personnel and senior management personnel as per Companies Act, 2013 and SEBI (LODR) Regulation, 2015.

DISCLOSURES

- During the last three financial years i.e. 2015-16,2016-17 and 2017-18, there has been no instance of non-compliance by the company, penalties, strictures imposed on the company by the stock exchanges or the SEBI or any statutory authorities.
- The policy on related party transactions has been approved by the board and the same may be accessed on the company's website.
- The policy on material subsidiary has been approved by the board and the same may be accessed on the company's website.
- The audit report of the company confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL & CDSL.

WHISTLE BLOWER POLICY

The company has a whistle blower policy under which the employees are free to report violations of applicable laws and regulations and the code of conduct. Employees can also report to the chairperson of the audit committee. During the year under report, no employee was denied access to the audit committee.

REVIEW OF CORPORATE GOVERNANCE OF MTNL

- The company has sufficiently disclosed the composition of the board of directors.
- MTNL is having a non promoter executive chairman cum MD.
- Disclosure of tenure and age limit is not sufficiently provided.
- The systematic disclosure about the post board meeting follow-up system is not sufficiently available in any annual report of MTNL.
- MTNL has not provided information about participation of head of finance, statutory auditor and chief internal auditor in the committee meeting.
- The company has not formed a separate remuneration committee as the remuneration of its whole-time directors is determined by the President of India, through the Department of Telecommunication (DoT).
- A share transfer committee has been formed by MTNL.
- MTNL has not mentioned about the accounting treatments and significant changes in their accounting policy. With the company sustaining huge losses for the past few years, auditors have also questioned about its going concerns.
- MTNL have not complied with of minimum requirement of the number of independent directors in the committee.

7. COMPARATIVE ANALYSIS OF CORPORATE GOVERNANCE OF THE PSUs TAKEN FOR STUDY

PARAMETER OF CORPORATE GOVERNANCE	BHEL	SAIL	NTPC	GAIL	BEL	ONGC	HPCL	MTNL
DISCLOSURE OF COMPOSITION OF BOARD	Y	Y	Y	Y	Y	Y	Y	Y
CHAIRMAN AND CEO	Non promoter Executive Chairman cum MD / CEO	Non-Promoter Executive Chairman	Non-promoter Executive Chairman	Non promoter Executive Chairman cum MD	Non promoter Executive Chairman cum MD / CEO	Non promoter Executive Chairman cum MD	Non promoter Executive Chairman cum MD	Non promoter Executive Chairman cum MD
DISCLOSURE OF AGE AND TENURE OF DIRECTORS	Y	Y	Y	N	Y	Y	N	N
DISCLOSURES ON POST BOARD MEETING FOLLOW UP	N	N	N	N	N	Y	Y	N
DISCLOSURE OF COMMITTEES AND SUB COMMITTEES	Y	Y	Y	Y	Y	Y	Y	Y
CODE OF CONDUCT	Y	Y	Y	Y	Y	Y	Y	Y
CEO/CFO CERTIFICATION	Y	Y	Y	Y	Y	Y	Y	Y
AUDITORS CERTIFICATE	CLEAN	NOT CLEAN (QUALIFIED OPINION)	CLEAN	CLEAN	CLEAN	CLEAN	CLEAN	NOT CLEAN (QUALIFIED OPINION)
SEPARATE REMUNERATION COMMITTEE	Y	Y	N	Y	N	Y	N	N

DISCLOSURES ON MEANS OF COMMUNICATION AND GBM	Y	Y	Y	Y	Y	Y	Y	Y
APPOINTMENT OF WOMAN DIRECTOR	1 INDEPENDENT DIRECTOR	1 INDEPENDENT, 1 EXECUTIVE DIRECTOR	1 INDEPENDENT DIRECTOR	1 INDEPENDENT DIRECTOR, 1 CHIEF VISIONARY OFFICER	1 EXECUTIVE, 1 GOVERNMENT NOMINEE, 1 INDEPENDENT DIRECTOR	1 INDEPENDENT, 1 EXECUTIVE DIRECTOR	1 INDEPENDENT DIRECTOR	1 GOVERNMENT NOMINEE, 1 INDEPENDENT DIRECTOR
REQUISITE NUMBER OF INDEPENDENT DIRECTORS	N	N	N	N	N	Y	N	N

*Y- YES , N- NO

SCORING CRITERIA

- Each Y consists of +1 and N consists of 0
- Non-promoter Executive Chairman gives +1
- Clean certificate from auditors gives +2 and a qualified opinion gives 0
- Hiring one or more women director gives +1

POINTS OBTAINED BY COMPANIES:

RANK	COMPANY	POINTS
1	ONGC	13
2	BHEL	11
3	NTPC	10
4	GAIL	10
5	BEL	10
6	HPCL	10
7	SAIL	9
8	MTNL	7

8. CONCLUSIONS

All the selected companies have disclosed about their structure and composition of the board. Most of the companies have a non-promoter executive chairman. All the companies except GAIL, HPCL and MTNL have disclosed about the age limit and tenure of directors. None of the companies except ONGC and HPCL gave sufficient disclosures regarding post board meeting follow-ups. All the companies have disclosed about their code of conduct, CEO/CFO certification, committees and sub-committees and disclosures on means of communication and general body meetings. All the companies have received a clean certificate from the auditors except SAIL and MTNL. These two companies got a qualified opinion from the auditors. NTPC, BEL, HPCL and MTNL do not have a separate remuneration committee; rather they have a merged nomination and remuneration committee. They all have appointed at least one woman director either as an independent or government nominee director. Some of them also have woman executive directors as well. Except for ONGC, no company has an adequate number of independent directors as prescribed under SEBI regulations.

Thus, **ONGC** ranks **first** under the corporate governance guidelines, **followed by BHEL, NTPC, GAIL, BEL, HPCL, SAIL and MTNL**. MTNL stands last under the corporate governance guidelines and there are serious concerns regarding the going concerns of the company by the auditors as well.

ANNEXURE

FINANCIAL PERFORMANCE OF PSUs TAKEN FOR STUDY DURING THE YEAR 2018-19

	BHEL	SAIL	NTPC	GAIL	BEL	ONGC	HPCL	MTNL
TOTAL INCOME	31029.17	67468.1	97537.34	76671.57	12237.16	117173.56	298564.25	2721.5
TOTAL EXPENSES	28993.47	63752.33	84581.47	67260.42	96088.2	77219.53	289225.59	6300.06
PROFIT BEFORE TAX	1850.1	3549.24	12955.87	9084.82	2628.34	39954.03	9338.66	-3578.56
PROFIT AFTER TAX	1009.16	2348.71	12633.45	6025.67	1886.67	26715.79	6028.66	-3578.56
TOTAL COMPREHENSIVE INCOME	890.01	2703.61	12422.18	5855.42	1845.4	24917.03	5964.38	-3578.56
PAID UP EQUITY CAPITAL	696.41	4130.53	9894.56	2255.07	2436.6	6290.15	1523.82	630
OTHER EQUITY	30175.97	35515.62	100142.4	36882.25	89678.4	196702.4	26650.61	-9288.33
EARNINGS PER SHARE	2.78	5.69	12.77	26.72	7.74	20.66	39.56	-53.77
NET WORTH	30872.66	39646.15	110036.9 9	46004.10	9211.5	202992.55	28274.43	-9734.94
P/E RATIO	18.42	8.61	7.15	5.17	12.27	6.73	7.35	0.13

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