

Over 80 CPSEs fail to submit corp governance report on time

CPSEs have to submit quarterly progress report on compliance to respective ministries within 15 days from the close of each quarter

More than 80 Central Public Sector Enterprises (CPSEs), including Fertilizer Corporation of India, Hindustan Fertilizer Corporation, National Aviation Company of India and Central Coalfields Ltd, have failed to submit self-evaluation reports (SERs) on compliance with corporate governance norms for 2011-12.

"Of the 248 CPSEs, SERs in respect of 81 PSUs on their compliance with norms on corporate governance for 2011-12 were not received by the department," a DPE official told PTI.

In 2010-11, this number was higher as about 110 public sector companies, mostly engaged in power sector, did not submit SERs in this regard to their respective administrative ministries.

"Higher standards of corporate governance are an inherent objective of disinvestment and lower standards of corporate governance may impact valuation of a company and its ability to raise resources from the market," the official said.

The DPE sets the corporate governance guidelines for CPSEs which are to be mandatorily followed by all CPSEs.

Under the system, CPSEs have to submit a quarterly progress report on compliance with these norms to their respective administrative ministries within 15 days from the close of each quarter.

There are various parameters to assess the compliance of corporate governance norms by central utilities. Adequate number of independent as well as functional directors on the board, minimum number of quarterly board meetings and proper review of company's financials by audit committee, are among the criteria.

A CPSE's corporate governance activities are evaluated on a scale of 1 to 100. The higher the score, the better is the corporate governance.

Over 10 PSUs that have scored 'Poor' grading for 2011-12 include BHEL Electrical Machines Ltd, Bengal Chemicals and Pharmaceuticals Ltd, Broadcast Engineering Consultants India, Mumbai Railway Vikas Corporation and Assam Ashok Hotel

Corporation Ltd.

If SER of a CPSE is not received by the cutoff date, the concerned CPSE is graded as 'Poor' in terms of its compliance with the guidelines, the official said.

However, as many as 75 public sector units such as Nuclear Power Corporation of India, Coal India, Neyvelli Lignite, Goa Shipyard, MMTC, NTPC and National Small Industries Corporation were ranked in the 'Excellent' category as they have performed well in terms of compliance with corporate governance guidelines.

"The idea is that all CPSEs complies with corporate governance norms... We want more and more PSUs to climb the ladder to be graded as excellent (on this front)," the official said.

Also, he said, corporate governance is one of the important parameters which is included in the Memorandum of Understanding (MoU) signed by the CPSEs each year.

Presently, corporate governance is a part of non-financial parameter and has a weight of 5 marks in the MoU that is signed between a CPSE and its administrative ministry.

However, CPSEs which would not submit their compliance with norms on corporate governance would get a negative marking from the next fiscal.

The DPE has done away with five% weight to the compliance with these norms in the MoU system as CPSEs are expected to comply to this.