

ANNEXURE TO DIRECTORS' REPORT

CERTIFICATION ENGINEERS INTERNATIONAL LIMITED

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

The Company firmly believes in consistently practicing good Corporate Governance. The Company's essential character is shaped by the values of transparency, professionalism and accountability. The Company is committed to attain the highest standard of Corporate Governance. The philosophy of the Company in relation to Corporate Governance is to ensure transparency in all its operations, make disclosures and enhance all stakeholders' value within the framework of laws, regulations and Government Guidelines.

2. Board of Directors

a) Composition of the Board of Directors

Certification Engineers International Limited is a public sector undertaking. The Articles of Association of the Company stipulates that the number of Directors shall not be less than three and more than nine.

Presently, CEIL is having 6 Directors on its Board comprising of 5(five) Directors including Chairman nominated by Holding Company, Engineers India Limited and 1 (one) non-official (Independent) Director. The non-official (Independent) Director has been nominated by Engineers India Limited.

b) Number of Board Meetings

The Board of Directors met 5 times during the year 2011-12. The details of the Board Meetings are as under:

Sl. No.	Date of Meeting	Place	Board Strength	No. of Directors present
1.	April 28, 2011	New Delhi	7	7
2.	May 18, 2011	New Delhi	7	6
3.	August 17, 2011	New Delhi	7	7
4.	November 11, 2011	New Delhi	7	5
5.	February 7, 2012	New Delhi	7	6

c) Attendance record of Directors at Board Meetings and Annual General Meeting and number of other Directorships/Committee Memberships/ Chairmanships.

Attendance of each Director at the Board Meetings and at the last Annual General Meeting held during the year 2011-2012 and number of other Directorships / Committee Memberships/ Chairmanships of each director is given below:

Name of the Director	Attendance Particulars		Number of other Directorships / Committee Memberships / Chairmanships		
	Board Meetings	Last AGM held on 26/07/2011	Other Director -ships	Committee Memberships*	Committee Chairmanships **
S/Shri					
A) Part time Directors- From Holding Company, EIL					
A.K. Purwaha, Chairman	5	Yes	4	-	-
D. Moudgil	5	Yes	1	-	-
G.D. Goyal	4	Yes	4	1	-
Sudershan Gupta	4	Yes	-	-	-
Ajay Deshpande	5	Yes	-	-	-
B) Government Nominee Director					
Shri C.B. Singh* ⁻¹	4	No	-	-	-
C) Non-official Independent Director					
Dr. Avinash Chandra	4	Yes	3	1	-

Remarks:

*-1 Shri C.B. Singh, Director (Government Nominee) ceased to be the Director of the Company w.e.f. 1.05.2012 as he has resigned due to his assumption of charge of Adviser in the Ministry of Shipping.

** None of Directors on the Board is a member of more than 10 committees or chairman of more than 5 committees across all the companies in which he is a Director. Membership/ Chairmanship in committee is reckoned pertaining to Audit Committee and Shareholders/ Investors Grievance Committee and based on disclosures received from Directors.

d) Board Procedure

The meetings of the Board of Directors are generally held at the Company's Registered Office in New Delhi. The meetings are generally scheduled well in advance. The Board meets at least once a quarter to review the quarterly performance and the financial results. The time gap between two meetings was not more than three months. The agenda for the meetings is prepared by the concerned officials and sponsored by CEO of the Company. The Board papers are circulated to the Directors in advance. The members of the Board have access to all information and are free to recommend inclusion of any matter in the agenda for discussion. Senior executives are invited to attend the Board meetings and provide clarification as and when required. To enable better and more focused attention on the affairs of the Company, the Board delegates certain matters to Committees of the Board set up for the purpose. The Committees prepare the groundwork for decision-making and report to Board.

e) Code of Conduct

The Board of Directors has laid down the Code of Business Conduct and Ethics for all Board Members and Senior Management of the Company in term of the DPE Guidelines on Corporate Governance for CPSEs. The same has also been posted on the Website of the Company (www.certificationengineers.com).

Declaration as required under DPE Guidelines on Corporate Governance for CPSEs

All the Members of the Board and Senior Management Personnel have affirmed compliance of the Code of Business Conduct and Ethics for the Financial year ended on March 31, 2012.

May 16, 2012
New Delhi

(MVK Kumar)
Chief Executive Officer

f) Compliance Reports

To the best of the knowledge and belief, the Company is complying with all applicable laws as on date except the composition of Board of Directors. The Board has reviewed Compliance Report of all Laws applicable to the Company and the steps taken by the Company to rectify instances of non-compliances.

g) Appointment/Re-appointment of Directors

A brief resume of Directors, retiring by rotation and eligible for re-appointment are given below:

I Name : Shri D. Moudgil
Father's Name : Shri Roshan Lal Moudgil

Designation : Director (Projects)

Official Address : Engineers India Limited
1, Bhikaiji Cama Place,
New Delhi- 110 066

Date of Birth : 28.08.1954

Qualification : Civil Engineering from Punjab University

Experience : He has been associated with Holding Company of CEIL, i.e EIL for over 36 years. During his professional career with EIL, he gained extensive experience holding different positions in various departments of EIL such as Construction, Administration, Marketing and Projects. He successfully led EIL's diversification into Infrastructure sector.

Other Directorships : Engineers India Limited

Other Committee Memberships : Engineers India Limited

i) Share Transfer Committee
ii) HR Committee
iii) Committee of Functional Directors

II Name : **Shri Ajay Deshpande**

Father's Name : Dr. Narayan R Deshpande

Designation : Director

Official Address : Engineers India Limited,
1, Bhikaiji Cama Place,
New Delhi - 110 066

Date of Birth : 02/01/1958

Qualification : B.Tech (Chemical Engineering) from
Nagpur University.
M.Tech (Systems & Management) from IIT
Delhi

Experience : He has 32 years of experience in Technology area covering Process, R&D, POSD, HMTD, R&D, Environmental Engineering Specialist Materials/ Maintenance Services and also in Projects (Petrochemicals). Extensively involved in developing indigenous technologies which have been successfully implemented in commercial scale units in refinery, oil and gas and petrochemical (aromatic) applications. Presently he is ED (Technical) in the holding Company EIL.

Other Directorships : Nil

Other Committee Memberships: Nil

3. **Audit Committee**

Presently, the Audit Committee comprises of three Members viz. Dr. Avinash Chandra as Chairman of the committee, Shri Sudershan Gupta and Shri Ajay Deshpande as members of the Committee. The terms of reference/scope, role and powers etc. of the Audit Committee are in accordance with DPE Guidelines on Corporate Governance for CPSEs. The Committee did not meet during the Financial Year 2011-12, however, one meeting was held on 16.05.2012.

4. **Subsidiary Companies**

The Company is not having any subsidiary company.

5. **Remuneration Committee/Remuneration of Directors**

The company has formed a Remuneration Committee as per DPE OM dated 26th November, 2008 regarding pay revision of CPSE executives. Presently, Dr. Avinash Chandra, Director, Shri D. Moudgil, Director and Shri Sudershan Gupta, Director are the members of the committee. Dr. Avinash Chandra, Director is acting as Chairman of the committee. The committee met once during the year 2011-12 in which all the members of the committee were present.

The scope of the Remuneration Committee includes finalizing the salary structure, applicable perks & allowances and deciding the annual bonus pool/variable pay & policy for its distribution across the executives and Non-Unionised Supervisors with prescribed limits. Remuneration Committee may also be called upon to decide issues like ESOP schemes, Performance Incentive Schemes, Superannuation Benefits and any other Fringe Benefits which may be considered appropriate. The Remuneration committee shall also assist the Board in ensuring that appropriate and effective remuneration packages and policies are implemented in CEIL for all employees including Directors and Chairman. The Committee's role also extends to the review of non-executive Directors' fees.

There is no pecuniary relationship or transactions of the non-executive directors vis-à-vis the company. The part-time official directors other than non-official Independent Directors nominated on the Board do not draw any remuneration from the Company for their role as director. The sitting fees fixed for part-time (non official) independent directors of the Company is ` 10,000/- per meeting of the Board or its Committee thereof attended by them.

The details of payments towards sitting fees to Non-official Independent Directors during the year 2011-12 are given below:-

(Amount in Rupees)

Name of Part-time(non-official) Independent Director	Sitting Fees*		Total
	Board Meeting	Committee Meeting	
Dr. Avinash Chandra	40000	10000	50000

*Gross Fees excluding Tax Deducted at Source as per applicable Tax Laws and Rules.

6. **Accounting Treatment**

The Financial statements have been prepared as per generally accepted accounting principles and in accordance with the prescribed Accounting Standards.

7. **CEO/CFO Certification**

The CEO and Head of the Finance Function i.e AGM (F&A) have given the certificate to the Board as well as disclosed the required information to the Statutory Auditors and the Audit Committee in terms of DPE Guidelines on Corporate Governance.

8. **Risk Management**

The Company has well defined Risk Management policy. The objective of risk management in the Company is to act as enabler in maintaining its knowledge edge, sustaining and expanding the business, being competitive and ensuring execution of projects within budgeted cost and time resulting in improved turnover and profitability. The management is committed to further strengthen its risk management capabilities in order to protect and enhance shareholder value by

improving its business performance. Continuous efforts in creating new opportunities, improving competencies/knowledge in various areas leading to improved performance and leveraging existing knowledge resources, in line with the risk appetite of the company, has enabled the company to protect the shareholders interests.

9. General Body Meetings

a) Annual General Meeting

The Annual General Meetings of the Company are held at New Delhi where the registered office of the Company is situated. The details of such meetings held during the last three years are as under:

AGM	Year	Venue	Date	Time
14 th	2008-2009	EIB, 1, Bhikaiji Cama Place, New Delhi-110066.	21.08.2009	3.00 P.M
15 th	2009-2010	EIB, 1, Bhikaiji Cama Place, New Delhi-110066.	16.08.2010	4.30 P.M
16 th	2010-2011	EIB, 1, Bhikaiji Cama Place, New Delhi-110066.	26.07.2011	4.30 P.M.

b) Details of Special Resolutions passed at last three AGMs

AGM	Details of Special Resolutions Passed
14 th	Nil
15 th	Approval for payment of Sitting Fees and Amendment in Articles of Association of the Company
16 th	Nil

No special resolutions were put through ballot during the last year. No special resolution is proposed to be passed through postal ballot at the ensuing Annual General Meeting.

c) Procedure for Postal Ballot

The company will follow the procedure as laid down under section 192A of the Companies Act, 1956 in respect of passing of resolution by postal ballot as and when the need arises.

10. Disclosures

- (i) Details of transactions between the Company and its holding company, associates, key managerial personnel during the year 2011-2012 are given in Point 2.24 of the Notes to the Annual Accounts for the year ended 31st March, 2012. These transactions do not have any potential conflict with the interests of the Company at large.
- (ii) There have been no instances of non-compliance by the Company and no penalties/strictures imposed on the Company by any statutory authority on any matters related to any Guidelines issued by Government during the last three years.
- (iii) The Company has complied with all mandatory requirements of DPE Guidelines on Corporate Governance for CPSEs, save and except the composition of Board of Directors.
- (iv) During the last three years, the Presidential Directive relating to 'Pay Revision of Executives' were issued by Ministry of Petroleum and Natural Gas vide their letter dated 30.04.2009 and the same has been complied with.
- (v) No Expenditures were debited in the Books of Accounts during the year 2001-12 which are not for the purposes of the Business.
- (vi) No expenses had been incurred which are personal in nature and incurred for the Board of Directors and the top Management.
- (vii) The administrative and office expenses are 26.83% of the total expenses in the Financial year 2011-12 as against 30.69% during the Financial year 2010-11.

11. Means of Communication

The quarterly/yearly Financial results are displayed on the website viz. www.certificationengineers.com of the company. The website of the company also displays the official news releases. Annual Report is also available on the website in a user friendly manner and is circulated to the members and others entitled to.

12. Audit Qualifications

The company has ensured to remain in the regime of unqualified statements.

13. Training of Board Members

The Company has a well defined Training Policy for Board Members. Detailed presentations are made by senior executives/professionals/consultants on business related issues and the Directors have attended seminars/conferences/programmes from time to time.

14. Whistle Blower Policy

The scope of whistle Blower Policy of holding company EIL covers the subsidiary company also.

15. General Information

i) 17th Annual General Meeting

Date
Time	
Venue	E.I. Bhavan, 1, Bhikaiji Cama Place, New Delhi-110066.

ii) Financial Year

1st Day of April to 31st Day of March every year

iii) Dividend

The Board of Directors of the company have recommended payment of Final Dividend of ` 200 per share (on the face value of ` 100/- each) for the Financial Year ended 31st March, 2012 in addition to the Interim Dividend of ` 150 per share (on the face value of ` 100/- each) paid on 9.02.2012.

iv) Registered office of the Company

Certification Engineers International Limited
E.I. Bhavan,
1, Bhikaiji Cama Place,
New Delhi-110066.
Tel. No.011-26762146, Fax : 011-26164868

v) Auditors

M/s Kapoor Goyal & Co
Chartered Accountants
G-1, Pooja Apartment,
4A, Ansari Road, Daryagang,
New Delhi – 110002
Tel. : 011- 2327 1046, Fax: 011-41534100
email:kapoorgoyal@gmail.com

Place: New Delhi
Date: 16th May, 2012

**KAPOOR GOYAL & CO.
CHARTERED ACCOUNTANTS**

G-1, Pooja Apartment, 4A, Ansari Road, Daryaganj, New Delhi – 110002
Tel.: 011- 2327 1046, 011-23378908 Fax: 011-41534100 email:kapoorgoyal@gmail.com

AUDITORS' REPORT ON CORPORATE GOVERNANCE

To,

The Members
Certification Engineers International Limited

We have examined the compliance of Guidelines on Corporate Governance by CERTIFICATION ENGINEERS INTERNATIONAL LIMITED for the year ended 31st March, 2012, as stipulated in O.M No. 18(8)/2005-GM dated 14.05.2010 of the Ministry of Heavy Industries and Public Enterprises, DPE, Government of India.

The compliance of Guidelines on Corporate Governance is the responsibility of the Management. Our examination was limited to review of procedures and implementations thereof, adopted by the Company for ensuring the Compliance of Guidelines on Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us by the Management, we certify that, *except the Composition of the Board of Directors and Audit Committee*, the Company has complied with the Guidelines on Corporate Governance as stipulated in above mentioned O.M.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For KAPOOR GOYAL & CO.
CHARTERED ACCOUNTANTS

(J.C. KAPOOR)
PARTNER
M.NO. 012001
Firm Registration No. 001370N

Place: New Delhi
Dated: 16th May, 2012

Management Reply on the above Audit Report:

AUDITORS' COMMENTS	MANAGEMENT REPLY
The Composition of the Board of Directors and Audit Committee as per DPE Guidelines on Corporate Governance has not been complied with.	The Company is pursuing with the Ministry of Petroleum & Natural Gas (MoP&NG), Government of India for appointment of sufficient number of Directors on the Board of the Company.