

## 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 5 Directors on its Board comprising of 3(three) Directors including Chairman nominated by Holding Company, Engineers India Limited and 2 (two) non-official (Independent) Directors. The non-official (Independent) Directors have also been nominated by Engineers India Limited.

#### b) Number of Board Meetings

The Board of Directors met 5 times during the year 2013-14. The details of the Board Meetings are as under:

Sl. No.	Date of Meeting	Place	Board Strength	No. of Directors present
1.	May 14, 2013	New Delhi	5	4
2.	August 5, 2013	New Delhi	5	5
3.	October 18, 2013	New Delhi	5	3
4.	December 13, 2013	Mumbai	5	4
5.	February 11, 2014	New Delhi	5	3

#### 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 2013-2014 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 5.08.2013	Other Directorships	Committee Memberships**	Committee Chairmanships**
<b>A) Part time Directors- From Holding Company, EIL</b>					
I) Present Directors					
Shri A.K. Purwaha, Chairman	5	Yes	4	-	-
Shri Sanjay Gupta	4	Yes	5	1	-
Shri Sudershan Gupta	4	Yes	1	-	-
<b>B) Non-official Independent Directors</b>					
I) Present Directors					
Shri Adit Jain	3	Yes	5	-	1
Dr. J.P. Gupta	3	Yes	1	-	-

**Remarks:**

\*\* 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.

**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. The same has also been posted on the Website of the Company ([www.certificationengineers.com](http://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, 2014.

Date : May 23, 2014

Place : New Delhi

(S.D. Kherdekar)  
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 and Audit Committee. 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) Re-appointment of Directors**

The brief resume of the Director seeking re-appointment together with the nature of his expertise in specific functional areas, names of companies in which he holds directorships and the memberships of Committees of the Board pursuant to the requirements of Corporate Governance is annexed to the Notice calling the Annual General Meeting.

**3. Audit Committee**

Presently, the Audit Committee comprises of four Members viz. Shri Adit Jain, Director, Dr. J.P. Gupta, Director, Shri Sanjay Gupta, Director and Shri Sudershan Gupta, Director. Shri Adit Jain, Director is acting as the Chairman of the Committee. The Audit Committee was reconstituted during the year by inducting Dr. J.P. Gupta, Director as member of the committee w.e.f. 11.2.2014.

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 details of meetings held during the financial year 2013-14 and the attendance of the Members is given below:

S. No.	Date of Meeting	Name	Chairman/Member	Attendance
1.	14.05.2013	Shri Adit Jain	Chairman	Present
		Shri Sanjay Gupta	Member	Present
		Shri Sudershan Gupta	Member	Present
2.	05.08.2013	Shri Adit Jain	Chairman	Present
		Shri Sanjay Gupta	Member	Present
		Shri Sudershan Gupta	Member	Present
3.	18.10.2013	Shri Adit Jain	Chairman	Present
		Shri Sanjay Gupta	Member	Not Present
		Shri Sudershan Gupta	Member	Present
4.	11.02.2014	Shri Adit Jain	Chairman	Not Present
		Shri Sanjay Gupta	Member*	Present
		Shri Sudershan Gupta	Member	Present

\*Chairman of the Meeting.

#### 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. J.P. Gupta, Director, Shri Sanjay Gupta, Director and Shri Sudershan Gupta, Director are the members of the Committee. Dr. J.P. Gupta, Director is acting as Chairman of the Committee. The Committee met once during the year 2013-14 on 11.02.2014 in which all the members of the Committee were present except Shri Sudershan Gupta.

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 Director during the year 2013-14 are given below:-

(Amount in Rupees)

Name of Part-time (non-official) Independent Director	Sitting Fees*		Total
	Board Meeting	Committee Meeting	
Shri Adit Jain	30,000	30,000	60,000
Dr. J.P. Gupta	30,000	10,000	40,000

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

#### 6. SD Committee of the Board

The SD Committee of the Board has been constituted to deliberate and decide on the matters as per defined Scope of the Committee. The Committee was reconstituted during the financial year 2013-14 due to the following:

- Shri Ajay N. Deshpande ceased to be Director of the Company and consequently ceased to be the member w.e.f. 13.03.2013.
- Shri Adit Jain, Non-official (Part-time) Independent Director was inducted as Chairman of the Committee w.e.f. 13.03.2013 in place of Shri Sanjay Gupta, Director who continue to act as member.

#### 7. Accounting Treatment

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

#### 8. 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.

#### 9. 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.

**10. General Body Meetings**
**i) Annual General Meeting (AGM)**

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
16 <sup>th</sup>	2010-2011	EIB, 1, Bhikaiji Cama Place, New Delhi-110066.	26.07.2011	4.30 P.M
17 <sup>th</sup>	2011-2012	EIB, 1, Bhikaiji Cama Place, New Delhi-110066.	26.07.2012	3.30 P.M
18 <sup>th</sup>	2012-2013	EIB, 1, Bhikaiji Cama Place, New Delhi-110066.	5.08.2013	3.30 P.M

**ii) Details of Special Resolutions passed at last three AGMs**

AGM	Details of Special Resolutions Passed
16 <sup>th</sup>	Nil
17 <sup>th</sup>	Nil
18 <sup>th</sup>	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.

**iii) No Extra-ordinary General Meeting of the Members was held during the financial year 2013-14.**
**11. Disclosures**

- i) Details of transactions between the Company and its holding company, associates, key managerial personnel during the year 2013-2014 are given in Point 2.24 of the Notes to Accounts for the year ended 31<sup>st</sup> March, 2014. 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 and Audit Committee.
- iv) During the last three years, there were no Presidential Directives received by the Company.
- v) No Expenditures were debited in the Books of Accounts during the year 2013-14 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 21.98% of the total expenses in the Financial year 2013-14 as against 22.08% during the Financial year 2012-13.
- viii) None of the Directors of the Company are inter-se related as on 31<sup>st</sup> March, 2014.
- ix) None of the Non-official (Part-time) Independent Directors hold any equity shares in the Company as on 31<sup>st</sup> March, 2014.

**12. Means of Communication**

The quarterly/yearly Financial results are displayed on the website viz. [www.certificationengineers.com](http://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.

**13. Audit Qualifications**

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

**14. 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.

### 15. Whistle Blower Policy

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

### 16. General Information

#### i) 19<sup>th</sup> Annual General Meeting

Date	August 12, 2014
Time	11.00 A.M.
Venue	E.I. Bhavan, 1, Bhikaiji Cama Place, New Delhi-110066.

#### ii) Financial Year

1<sup>st</sup> Day of April to 31<sup>st</sup> 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 31<sup>st</sup> March, 2014 subject to approval of Shareholders in the forthcoming Annual General Meeting. This was in addition to the Interim Dividend of ₹ 200/- per share (on the face value of ₹ 100/- each) paid during the year.

#### iv) Registered office of the Company

Certification Engineers International Limited  
E.I. Bhavan,  
1, Bhikaiji Cama Place,  
New Delhi-110066.  
CIN:U74899DL1994GOI062371  
Tel. No.011-26762121, Fax : 011-26164868, 011-26192693  
website: www.certificationengineers.com

#### v) Auditors

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

Place: New Delhi  
Date: May 23, 2014



## 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 31<sup>st</sup> March, 2014, 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

(TARUN KAPOOR)  
PARTNER  
M.NO. 095949  
Firm Registration No. 001370N

Place: New Delhi  
Dated: May 23, 2014



## Management's Reply to Auditors' Report on Corporate Governance (2013-14)

AUDITORS' COMMENTS	MANAGEMENT'S 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.