

PSUs fare poorly in corporate governance

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Mumbai: Conventional wisdom suggests that since it's the government that formulates rules, state-owned companies would be at the forefront of abiding by them. However, according to an analysis by a proxy firm shared exclusively with TOI, it appears that it's the public sector undertakings (PSUs) which have scored poorly on corporate governance norms mandated by the government.

These state-owned companies have violated guidelines related to board independence, appointment of audit, nomination and corporate social responsibility committees, and woman directors on the board. Proxy advisory firm Stakeholders Empowerment Services (SES) studied the top 27 listed PSUs with a market capitalization of Rs 11,22,036 crore (as on October 26), where the highest market cap was that of ONGC at Rs 2,20,774 crore, and PTC India had the lowest market cap of Rs 1,961 crore. According to the SES analysis, 13 PSUs among the top BSE100 companies accounted for 14.1% of that index's total market cap,

A LONG WAY TO GO

PARAMETERS IN WHICH PSUs HAVE BEEN NON-COMPLIANT		
Guidelines For	Compliant cos	Non-compliant cos
Board	1	26
Audit Committee	11	16
Nomination & Remuneration Committee (NRC)	10	17
CSR Committee*	14	13
Independence	2	25
Woman Directors	20	7

*Corporate social responsibility

and nearly all the PSUs are non-compliant for one reason or other: Among the entire 27 PSUs studied, the analysis says 25 do not meet the criteria for independence of the board, almost 50% failed to constitute a compliant CSR committee, while nearly 25% do not have a woman director. Moreover, over 80% do not have a compliant audit committee and NRC (nomination and remuneration committee), the analysis adds, saying these PSUs, rather than being role models, have set a bad precedent.

LIC Housing Finance is the lone compliant company, while the rest (26) are all non-

compliant in some parameter or the other (see graphic).

In terms of violations relating to independence of the audit committee, the 16 erring companies are MRPL, BPCL, Engineers India, Neyveli Lignite Corporation, Rural Electrification Corporation, GAIL (India), SJVN, Shipping Corporation of India, Coal India, Oil India, National Aluminium Company, ONGC, IOCL, NTPC, HPCL and RCF. For listed central public sector enterprises corporate governance guidelines have been mandated by Ministry of Corporate Affairs, Sebi and DPE (department of public enterprises).