

**REPORT ON CORPORATE GOVERNANCE:**

**(1) Philosophy:**

Transparency, accountability and integrity are the main ingredients of good corporate governance. Your company as a good corporate citizen believes in adhering to the highest standards of corporate governance. ECL provides appropriate access to information to the citizens of India under the provisions of Right to Information (RTI) Act, 2005.

**(2) Board of Directors:**

**(A) Composition of the Board:**

We are a Government company within the meaning of section 617 of the Companies Act, 1956 as Coal India Limited holds entire paid-up share capital. As per Articles of Association the power to appoint Directors rests with the President of India.

In terms of Articles of Association of the company strength of our Board shall not be less than 3 Directors and not more than 15 Directors. These Directors may be either whole-time Functional Directors or part-time Directors. The Directors are not required to hold any qualification share.

As on 31<sup>st</sup> March 2011, Board comprised 8 Directors, out of which 5 were whole-time Functional Directors including Chairman-cum-Mg. Director.

Adviser (Projects), Ministry of Coal (MoC) was a Govt. nominee representing MoC. Director (Finance), CIL was nominated on the Board of Eastern Coalfields Limited w.e.f. 03.05.2010. BIFR has appointed a Special Director on the Board of Eastern Coalfields Limited w.e.f 24.12.2010.

The Directors bring to Board wide range of experience and skills.

**DIRECTORS:**

During the year 2010-11, Shri S. Chakrabarti was the Chairman-cum-Managing Director of the Company till 31.08.2010. Thereafter Shri T.K. Lahiry, CMD, BCCL was given the additional charge of CMD, ECL w.e.f 01.09.2010. He continued till 23.12.2010 when Shri Rakesh Sinha was appointed as Chairman-cum-Mg. Director, ECL. CMD, ECL was holding the additional charge of D (F), ECL upto 15.12.2010. The other Directors on the Board of the Company during 2010-11 were Shri A.K. Sinha (w.e.f. 03.05.2010), Shri P.R. Mandal, Shri S.K. Srivastava, Shri S. Chakravarty, Shri N. Kumar, Shri A.K. Soni (from 16.12.2010), Shri K.K.Gautam (from 24.12.2010), Shri K.C. Vijh (upto 23.08.2010), Shri P.R. Tripathi (upto 23.08.2010) and Shri Ashok Nath (upto 23.08.2010).

Brief profile of Directors is enclosed as **Annexure - A**.

## Service Contract:

Directors of the company are appointed by the President of India. The terms and conditions of appointment of Whole-time Functional Directors are decided by the President of India in terms of Articles of Association of the Company. BIFR has appointed a Special Director on the board of Eastern Coalfields Limited and the terms and conditions of his appointment are laid down by BIFR.

## (B) Board Meetings:

Meetings of Board of Directors are normally held at Kolkata for the convenience of Directors. Company has well defined procedures for meetings of Board of Directors and Committees thereof so as to facilitate decision making in an informed and efficient manner.

During the financial year ended 31<sup>st</sup> March 2011, 10 Board meetings were held as against the minimum requirement of 4 meetings. The details of the Board meetings are as follows:

Date	Board of Directors							
	Functional		Part-time Official		Part Time Non-Official		Total	
	Strength	Present	Strength	Present	Strength	Present	Strength	Present
19.05.2010	4	4	2	1	3	2	9	7
01.07.2010	4	4	2	2	3	2	9	8
05.08.2010	4	4	2	1	3	2	9	7
29.08.2010	4	4	2	2	-	-	6	6
21.09.2010	4	4	2	1	-	-	6	5
08.11.2010	4	4	2	2	-	-	6	6
15.01.2011	5	5	2	2	1	-	8	7
28.01.2011	5	5	2	2	1	1	8	8
03.03.2011	5	5	2	2	1	1	8	8
28.03.2011	5	5	2	2	1	1	8	8

Details of number of Board meetings attended by each of the Directors are given below:

Sl No	Directors	Board meetings		No. of other Directorships
		Held during the tenure	Attended	
<b>Functional Directors:</b>				
1	Shri S. Chakrabarti Chairman-cum-Mg. Director	4	4	NIL
2	Shri T.K.Lahiry Chairman-cum-Mg. Director	2	2	1
3	Shri Rakesh Sinha Chairman-cum-Mg. Director	4	4	NIL
4	Shri S.K. Srivastava Director (Personnel)	10	10	NIL
5	Shri S. Chakravarty Director (Technical) Opn.	10	10	NIL
6	Shri N. Kumar Director (Technical) P&P	10	10	NIL
7	Shri A.K.Soni Director (Finance)	4	4	NIL
<b>Part-time Official Directors:</b>				
8	Shri P.R. Mandal Adviser (Projects) Ministry of Coal	10	9	NIL
9	Shri A.K.Sinha Director (Finance) Coal India Limited	10	8	2
<b>Special Director appointed by BIFR:</b>				
10	Shri K.K.Gautam	4	3	2
<b>Part Time Non-Official Director (upto 23.08.2010):</b>				
11	Shri K.C. Vijn	3	0	--
12	Shri P.R. Tripathi	3	3	09
13	Shri Ashok Nath	3	3	01

**(C) Remuneration of the Director:**

**(i) Functional Directors:**

Name	Designation	Remuneration for the year 2010-11 (Amount in Rs.)		
		All elements of remuneration package (i.e. salary, pension, P.F., gratuity etc.)	Other benefits	Total
Shri S. Chakrabarti	Chairman-cum-Mg. Director (upto 31.08.2010)	863279	77732	941011
Shri Rakesh Sinha	Chairman-cum-Mg. Director (from 23.12.2010)	285599	14717	300316
Shri S.K. Srivastava	Director (Personnel)	1619491	56673	1676164
Shri S. Chakravarty	Director (Technical) Opn.	1839277	75536	1914813
Shri N. Kumar	Director (Technical) P&P	1621122	42289	1663411
Shri A.K. Soni	Director (Finance) (from 16.12.2010)	574562	61014	635576

**(ii) Part-time official Directors:**

No remuneration is paid to the Part-time official Directors by the Company.

**(iii) Part-time Non-official Directors:**

No remuneration is being paid to Part-time Non-official Directors except sitting fee. Details of sitting fee paid for attending Board / Committee Meetings are shown below.

Sl. No.	Name of the Director	Total Sitting Fee Paid (Rs.)
1	Shri K.C. Vijn	--
2	Shri P.R. Tripathi	52,500
3	Shri Ashok Nath	52,500
4	Shri K.K. Gautam	37,500

### **3. Board Committee:**

#### **Audit Committee:**

Your Company has an independent Audit Committee. The composition, procedures, powers and role/functions of the Audit Committee, constituted by the Company is to comply with the requirements of the Companies Act, 1956. Even though it is not mandatory for the Company, being a private company, to form an Audit Committee, in pursuit of corporate excellence Company formed an Audit Committee as approved in its 167<sup>th</sup> Board Meeting held on 4.10.2001.

#### **The scope of the Audit Committee includes the following: -**

1. Review of financial statements,
2. Periodical review of internal control system,
3. Review of Govt. Audit and Statutory Auditors Report,
4. Review of operational performance vis-à-vis standard parameters,
5. Review of project implementations,
6. Review of internal audit findings/observations,
7. Development of effective internal audit functions in commensurate with company's turnover.
8. Discussion with Internal Auditors any significant findings and follow up thereon,
9. Discussion with external auditors,
10. Reviewing the company's financial and risk management policies,
11. Special studies/investigation of any matter including issues referred by the Board.

#### **Composition:**

Audit Committee was reconstituted on 29.12.2007 as per Guidelines on Corporate Governance for CPSE 2007 circulated by DPE. Reconstituted Audit Committee comprised of 4 (four) part-time directors viz. S/Shri K.C. Vijh (upto 23.08.2010), P.R. Tripathi (upto 23.08.2010), Ashok Nath (upto 23.08.2010) and 1 (one) Functional Director viz. Shri S. Chakravarty, Director (Technical) Operations.

The Audit Committee was again reconstituted on 15.01.2011 and it comprised of 3 (three) part-time directors viz. S/Shri P.R. Mandal, A.K. Sinha, K.K. Gautam and 1 (one) Functional Director viz. Shri S. Chakravarty, Director (Technical) Operations.

Director (Finance) and General Manager (IA) are the permanent invitee to the Audit Committee and Company Secretary is Secretary to the Committee.

Chairman of the Committee was Shri K.C. Vijh, Part-time Non-Official Director (upto 23.08.2010). Thereafter Shri A.K. Sinha was appointed as Chairman of the committee in absence of Shri K.C. Vijh (due to his cessation). Shri P.R. Mandal was the Chairman of the reconstituted Audit Committee.

The Audit Committee met five times in 2010-11, on 19.05.2010, 01.07.2010, 05.08.2010, 08.11.2010 and 28.01.2011.

### **Audit Committee Attendance:**

Details of number of Audit Committee meetings attended by each of the members are given below:-

<b>Sl. No.</b>	<b>Members</b>	<b>Meeting held during respective tenure of members</b>	<b>No. of Audit Committee Meetings attended.</b>
1	Shri K.C. Vijh	3	--
2	Shri P.R.Tripathi	3	3
3	Shri Ashok Nath	3	3
4	Shri S. Chakravarty	4	4
5	Shri P.R. Mandal	1	1
6	Shri A.K. Sinha	5	3
7	Shri K.K. Gautam	1	1

### **Statutory Auditors:**

Under Section 619(2) of the Companies Act, 1956 the following Chartered Accountants Firms were appointed by the Comptroller and Auditor General of India for conducting audit of the financial accounts of the company for the year 2010-11:

### **Statutory Auditors:**

1.	M/s. Dutta Sarkar & Co., 7A, Kiran Sankar Roy Road, 2 <sup>nd</sup> Floor, Kolkata-700001.
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### **Branch Auditors:**

2.	M/s. G Basu & Co., "BASU HOUSE" Chowringh Approach, Kolkata-700072.
3.	M/s. Roy Ghosh & Associates, 39, Kalna Road, Badamtala, Burdwan-713401
4.	M/s. R P Boobna & Co., Karnani Estate 209, A.J.C Bose Road, 2 <sup>nd</sup> Floor, Room No.87, Kolkata- 700017
5.	M/s. M. Goenka & Co., C/o, Parimal Chandra Banik, Near Vivekananda College, Thakurpally, PO-Sripally-713103, Burdwan.
6.	M/s. D.P. Sen & Co., 22, Ashutosh Chowdhury Avenue, 2 <sup>nd</sup> Floor, Flate No:22, Magma Apartment, Kolkata-700 019.

## Annual General Meeting:

Particulars of Annual General Meeting of Shareholders of the company held during last 3 years were as under:-

<b>Year</b>	<b>Date &amp; Time</b>	<b>Place</b>	<b>Attendance</b>	<b>Special Resolution, if any</b>
2007-08	19.07.2008 11:30 AM	Sanctoria	Shri S. Chakrabarti, CMD, ECL Shri P.V. Krishna, Chief of Internal Audit, CIL Shri U.S. Upadhyay, D (T) Opn., ECL Shri S.K. Srivastava, D (P), ECL	-
2008-09	15.07.2009 11:30 AM	Sanctoria	Shri S. Chakrabarti, CMD, ECL Shri Pradip Bandopahdyay, Finance Manager, CIL Shri S. Chakravarty, D (T) Opn., ECL	-
2009-10	22.05.2010 11:00 AM	Sanctoria	Shri S. Chakrabarti, CMD, ECL Shri Prabir Chakraborty, Finance Manager, CIL Shri S.K.Srivastava, D (P), ECL Shri S. Chakravarty, D (T) Opn., ECL Shri N. Kumar D (T) P&P, ECL.	

No Special Resolution was passed through postal ballot at any of the General Meetings of the members held during the above three years.

Notice of Annual General Meeting is being sent to Chairman of Audit Committee to enable him to attend the meeting. He could not attend the meeting. However, Chairman, Audit Committee advised Member Audit Committee to attend the meeting on his behalf in 2008-09 & 2009-10 who had attended the meeting.

#### **4. DISCLOSURES:**

##### **(a) Related Party Transactions:**

As per the disclosures given by the Directors of the company there were no related party transactions that have potential conflict with the interest of the company at large.

##### **(b) Code of Conduct for Directors and Senior Executives:**

The Code of Conduct for Directors and Senior Executives was approved by the Board of Directors of the company in its 214<sup>th</sup> Meeting held on 15<sup>th</sup> October, 2007. This was circulated to the Directors and senior executives and obtained their affirmation. It was also uploaded in the website of the company [www.easterncoal.gov.in](http://www.easterncoal.gov.in).

##### **(c) Accounting Treatment:**

The financial statements are prepared in accordance with applicable mandatory Accounting Standards and relevant presentational requirements of the Companies Act, 1956.

##### **(d) Risk Management, Fraud Prevention and Identification and Management Discussion and Analysis Report:**

A committee was constituted to prepare the above report.

#### **5. Means of Communications:**

Operational and financial performance of the company was uploaded in company's website [www.easterncoal.gov.in](http://www.easterncoal.gov.in).

Apart from Annual Accounts, quarterly review of accounts was also conducted by the statutory auditors of the company.

#### **6. Audit Qualifications:**

It is always the company's endeavour to present an unqualified financial statement. Management reply to the statutory auditors' observations on the accounts of the company for the year ended 31<sup>st</sup> March, 2011 are furnished as an Annexure to Directors' Report. Comments of the Comptroller and Auditor General of India under section 619(4) of the Companies Act, 1956 on the accounts of Eastern Coalfields Limited for the year ended 31<sup>st</sup> March, 2011 are also enclosed.

**7. Training of Board Members:**

The Functional Directors are the heads of the respective functional areas by virtue of their possessing the requisite expertise and experience. They are aware of the business model of the company as well as the risk profile of the company's business. The Part-time Directors are also fully aware of the company's business model.

**8. Shareholding pattern of the Company:**

100% shares of the company are held by Coal India Ltd.

**9. Whistle Blower Policy:**

Being a public sector undertaking, the records of the company are open to audit by Comptroller and Auditor General of India and open to inspection by Vigilance/C.B.I. etc. Your company has an independent Vigilance department headed by Chief Vigilance Officer. The Vigilance department, functioning under the overall guidance of the Central Vigilance Commission, mainly lays stress on preventive vigilance.

The Board of your company had accorded its approval in its 218<sup>th</sup> Meeting held on 27<sup>th</sup> March, 2008 to sign a MoU with M/s. Transparency International in line with the MoU entered into by CIL for implementation of Integrity Pact and the same was carried out.

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