

enterprise

DPE QUARTERLY NEWSLETTER



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10th April, 2010**
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Department of Public Enterprises
Ministry of Heavy Industries and Public Enterprises



From The Editor's Desk

The Department of Public Enterprise is both new and old - it has been around for a while, leading a somewhat subdued existence, but has, in the past three or four years, undergone a sea-change. It now has a new identity, a new vision, a new mission. Our experiences have been many and varied and we have learnt a lot from each of these. In the new era, as we revolutionize the administration and functioning of the PSEs, we feel that these practices could be shared across institutions and organisations, ministries and departments. There is, after all, no monopoly on knowledge and everyone goes away richer from the table. Our thinking and operating has undergone radical change and we now feel the need to create a channel of communication through which we may speak of what we have done, what we are doing and what we may be about to do. This newsletter is an attempt to create that channel of dissemination and discussion - reaching all who are a part of this effort, no matter in how peripheral a manner - administrative ministries and departments, state and central public sector enterprises, academicians and administrators, private sector units and communities - each of whom are our partners, the overarching ambit within which we function. We hope to be able to begin discussions and the sharing of experiences and initiatives through this quarterly presentation on the functions, events, innovations, initiatives and interactions of the DPE. We look forward to your continuous and meaningful cooperation in this effort.

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The first Public Sector Day is celebrated on the 10th of April 2010

The spirit of service of Public Sector Enterprises received a befitting salute on the first ever Public Sector Day celebrated in New Delhi at the Vigyan Bhavan. Organized by the Standing Conference of Public Enterprises (SCOPE) in association with Department of Public Enterprises, Government of India, the celebrations were inaugurated by Her Excellency, the President of India - Smt Pratibha Patil. The occasion saw the presence of dignitaries Shri Vilasrao Deshmukh- Minister (HI & PE), and Shri Arun Yadav, Minister of State (HI & PE), and stalwarts of the sector Chairman, BRPSE- Dr. Nitish Sengupta, Secretary, DPE- Shri Bhaskar Chatterjee and Chairman, SCOPE - Shri Arup Roy Choudhury, along with a large representation from public sector companies, senior government officers and members of the media among others.

The SCOPE Meritorious Awards for 2007-2008 and 2008-09 under several categories such as- 'Corporate Governance', 'Corporate Social Responsibility and Responsiveness', 'Best Practices in Human Resources Management, Environmental Excellence and Sustainable Development' and 'Best Managed Public Sector Enterprises set up under Section 25' were given away by the President. Appreciating the role of the Public Sector in the development of the country, Her Excellency, Madam President, lauded the institution of the awards as a motivational effort and noted the public sector as a partner in the developmental process. Scintillating technical sessions added a great deal to the quality of the programme.

'Her Excellency, Madam President, lauded the institution of the awards as a motivational effort and appreciated the role of the PSEs in partnering development'

CPSEs move up from Navaratna to Maharatna

The new 'Maharatna' Scheme launched by the GOI has given a power shot to Mega CPSEs in the international arena. Armed with the Maharatna status, these CPSEs may now take giant strides on the global front. **The Maharatnas of the Indian PSEs are SAIL, NTPC, IOCL and ONGC.** The 15 Navaratnas remain as designated earlier, with the inclusion of Oil India Limited late last year.

'The jewels in the crown of the Indian PSE Navaratnas - the current Maharatnas- SAIL, NTPC, IOCL and ONGC'

Smt. Pratibha Patil President of India, on the occasion of the 1st Public Sector Day Celebration.



The first Public Sector Enterprises Summit was held in Delhi on the 9th of June 2010 under the joint aegis of the Department of Public Enterprises and the CII Apex Council on PSEs.

The intrinsic strength of the Public Sector Enterprise was the focus the opening address by **Mr. RS Sharma**, Chairman, CII Apex Council on PSEs & Chairman and Managing Director ONGC, who lauded the role they played in holding the economy steady as a rock despite global upheavals witnessed in the recent past. Of particular note was the fact that there were no lay-offs or salary cut backs in the Indian PSEs while many perceivably advanced economies crumbled under the onslaught of depression. Mr. Sharma however, suggested that the PSEs needed to develop knowledge capital and create a level playing field. His introduction of the high level panels leading the oncoming sessions whetted the appetite of the delegates for the discussions lined up for the day.

'PSEs need to develop knowledge capital to create a level playing field'

RS Sharma

Secretary, Department of Public Enterprises, Ministry of HI&PE, **Mr. Bhaskar Chatterjee**, enthused the gathering with stirring quotes from the 1st Public Sector Day celebrated on the 10th of April, leaving no one in any doubt of the confidence reposing in the participants and their eagerness to take on the world and prove their mettle. Speaking of the triple bottom line of the PSE governance- People, Planet and Profit, Mr. Chatterjee laid particular emphasis on the Corporate Social Responsibility, talent attraction and retention efforts of the sector. His strong recommendation to CPSEs was to focus on these areas so as to ensure their strong participation at a global level.

'Concentrate on CSR and Talent attraction and retention to ensure strong global participation.'

Bhaskar Chatterjee

Exhorting the PSEs to be brand ambassadors of the country, both individually and collectively in the global markets, **Shri. Arun Yadav**, Hon'ble MoS in Ministry of HI&PE, spoke highly of the government decision on disinvestment. Applauding the orientation of deliberations of the summit, Shri Yadav spoke of unleashing of the potential of PSEs so as to enhance the overall performance of the sector both internally and internationally.

First Public Sector Enterprises Summit

'The actual potential of PSEs can be realized through disinvestment of the government...this will enhance the overall performance of the sector'

Arun Yadav

Mr. Sumit Bose, Secretary Disinvestment, Ministry of Finance, Govt. of India, gave a rousing start to the proceedings of the first session – *Listing of PSEs: the*

Mr. Bhaskar Chaterjee



Mr. Arun Yadav



‘Concentrate efforts on the SOEs.....they will benefit from focused interventions’
Sumit Bose
 Secretary Disinvestment,
 Ministry of Finance,
 Govt. of India

‘Concentrate on a disinvestment plan with inclusion of Responsibility, Accountability and Reward....’

Madhabi Puri Buch

strategic perspective’ with his opening remarks on the unfair comparison of PSEs with the private sector. Reiterating the strong financial performance of CPSEs that has given the private sector stiff competition in the recent past, his suggestion focused on the need to look beyond the CPSEs and concentrate on State Owned Enterprises (SOEs). These enterprises far outstrip the CPSEs in number and would benefit from focused interventions.

Mr. Bose suggested holding of similar workshops and seminars to guide SOEs in effecting the same level of governance that has catapulted the CPSEs to the high levels of performance they have achieved. The focus on SOEs was also heartily endorsed by **Ms Usha Narayanan**, Executive Director, SEBI. She fully supported the call for a leg up to the SOEs for the development of their potential.

Ms Madhabi Puri Buch, MD and CEO, ICICI Securities Ltd, on the other hand, held out that essentially the private corporate sector and the PSEs were the same, but the government must stop hand-holding well established organisations and concentrate instead on a disinvestment plan with the inclusion of Responsibility, Accountability and Reward. She was also clear on the need for caution in the process of valuation during dis-investment so as to attract the right volume of foreign investment.

Speaking of the ‘*Contol Versus Disinvestment*’ debate, **Mr.Madhu Kannan**, MD & CEO BSE, set many thoughts winging with his dispelling of the held opinion that control falls prey to disinvestment. Mr Kannan discussed the government’s continued monitoring and control over PSEs post disinvestment through majority ownership of shares and called for the PSE stock valuations to be done by the market for the best ratings. In response to a suggestion from the floor on the varying degrees of disinvestment required for different levels of PSEs, Ms Usha Narayanan offered to send the recommendation to the Ministry of Finance. **Mr. NM Borah**, CMD, Oil India Ltd, spoke highly of the PPP model in promoting growth while sharing the experience of OIL in the North East with the audience.

‘Let PSE valuations for disinvestment be conducted by the market for best results’

Madhu Kannan

Introducing the session ‘*Value Creation in Economy – Role of PSEs*’- **Mr. Ashok Chawla**, Finance Secretary, Govt. of India, identified the role of PSEs as having been that of mothering the private sector into meaningful participation, but foresaw a need to change gears and move into competitive mode for survival under global demand. **Mr. RS Sharma** identified the supportive role of the PSEs as having been the result of a high level of corporate



Release of the Survey on “Strategies for Attraction and Retention of Talent in CPSE’s CII-Hewitt Association Macro Study 2009”

By Mr. Bhaskar Chatterjee,
 Mr.Arun Yadav
 and Mr. R.S.Sharma.



Delegates at the Summit.

governance. His greatest concern lay in the fact of the total loss of confidentiality of the PSEs in comparison with the private sector and he strongly recommended that answerability as per the RTI Act be removed to level the playing field for the PSEs.

'PSEs need to move into competitive role from their nurturing role in order to survive the international demand'

Ashok
Chavla

Mr. BP Rao, CMD, BHEL, had the listeners' full attention when he propounded that the infusion of trained managers from the public sector into the private sector has given it a tremendous boost. Fearless forays into R&D, an overwhelming sense of social responsibility as demonstrated by PSUs such as the BHEL etc that have caused entire townships to spring up. A propensity to seek long term results in lieu of short term gains and promotion of exports have made PSEs the mainstay of industry and commercial services the world over. Mr. Rao held that the intangible worth of the PSE, such as in the case of defense and space where foreign technology was either not available or could not be relied upon, should not be overlooked and indeed needs to be taken into account in the process of disinvestment.

'PSEs have been the mainstay of commerce and industry the world over....'

BP Rao

A different role of the PSEs in the economy was highlighted by **Mr. OP Bhatt**, Chairman, SBI. He challenged the critics who stated that PSEs lag in value creation, quoting the specific example of the State Bank and the services rendered free of cost to clients by the Bank. Referring to the China model, he spoke of the growth prospects offered by PSEs to the people, the delivery of value for investment for the customer and the all-pervasive presence of PSEs

despite terror and insurgency and drove home the fact that these intangible contributions went far beyond mere figures of productivity and earning.

'PSEs have been instrumental in value creation through services...'

OP Bhatt

The third session saw a slew of opinions and objective views on the subject of **Governance and Control of the PSEs**. **Mr. R Bandyopadhyay**, Secretary-Ministry of Corporate Affairs, put questions before the audience as to whether corporate governance, appointment of CEOs by government, auditing practices etc were working towards betterment or detriment of PSEs before further identifying fundamental issues such as inclusive growth, CSR, profit making and increasing share value for discussion.

'Is governmental involvement in CEO appointments, corporate governance and auditing methodologies making the PSEs stronger or weaker?'

R. Bandyopadhyay

While **Shri Arup Roychoudhury**, Chairman SCOPE, held that CPSEs have good Corporate Governance, **Mr. M K Venu**, Editor of the Financial Express emphasized the need for greater autonomy of the PSEs for healthy competition with the private sector including global players. He spoke of recent media surveys that have shown the public demand for part privatization of PSUs. Speaking specifically on the auditory woes of PSUs, Chairman of the Audit Board and Deputy CAG **Mr. Sunil Verma** said that they had paid heed to suggestions as evinced by the improvement of audit figures of several companies in the public sector.

Delegates at the Summit.



'PSEs need greater autonomy to be effective in global competition'

M.K. Venu

Mr. Shakeel Ahmed of Hindustan Copper Ltd., forcefully put forth the idea that PSUs are over governed and thereby under-performing. In his opinion, this issue needs to be flagged and emphasis placed as much on performance and delivery as on corporate governance. Mr. Ahmed's views found resonance from the audience and his suggestion of bench mark of standards and best practices adopted from global examples by the PSUs was supported by an independent consultant.

'PSUs are being over governed and therefore they are under performing'

Shakeel
Ahmed

After a brief introduction of the subject of discussion- *'Imperative for the future – Sustainable development'* by **Mr. Arun Maira**, Member Planning Commission, **Mr. DC Garg**, CMD Western Coalfields Ltd took the floor and identified economic, social and environmental issues as the parameters within which sustainable development can take place. **Shri AK Purwaha**, CMD Engineers India Ltd, stated that sustainable development meets the needs of the present without compromising the development potential of the future. Emphasizing the need for cost effective and energy efficient technologies to power sustainable growth, Shri Purwaha clarified the position of EIL as an environmentally responsible, socially aware and commercially viable organisation, poised to launch the country into the era of sustainable development through technology and services.

'Sustainable development meets the needs of the present without compromising the development potential of future generations'

AK
Purwaha

Mr. GK Pillai CMD Heavy Engineering Corporation Limited (HECL) received strong support from the audience in his observation that while the 2 P's of People and Planet have been largely addressed by the PSUs, they have sadly lacked the third P of Profit and therefore need to focus on this aspect in order to sustain growth and overcome competition.

Mr. Chandra Bhushan, Associate Director for Industry and Environment, CSE, had the final word on the subject when he vehemently emphasized the need to place equal importance to water and land as to energy as these two

were perishable resources which hold the key to future development. Mr Bhushan opined that sustainable employment has been replaced by one time cash payments, making the sector unstable. He also deliberated upon the issue of resource pricing and challenged the belief that public participation would lead to opposition and prompted a solution in the form of turning the public into stake holders, to ensure their inclusion in developmental activities. In conclusion, the discussion threw up inclusive growth as the key factor for sustainable development and indicated toward the creation of income generation through SMEs linked to mainstream industry as a possible strategy.

'If we turn the public into stakeholders, they will not oppose developmental activities'

Chandra
Bhushan

The lively summit concluded on the note of affirmation of creating an enabling environment through the implementation of suggestions and recommendations of the distinguished panelists and knowledgeable participants who had brought their experiences to enrich the discussions.

Mr. Sumit Bose Interacting in the Press Conference



Ms. Madhabi Puri Buch and Mr. N. M. Borah in conversation.



CPSEs and CSR

New guidelines have been issued for the Corporate Social Responsibility (CSR) for CPSEs. These lay particular emphasis on CSR to be viewed as the philosophy of organizations to serve the interests of society by taking on the responsibility for the impact of their activities on all stakeholders, communities and the environment in all aspects of operations. All CSR activities must cater to the smallest unit of organizational reach and must be accounted for in the budget in accordance with the budgetary guidelines provided to the CPSEs. Under guidance of the DPE and SCOPE, a plethora of CSR activities will be defined and the National CSR hub will ensure that all activities are carried out as per laid down norms.

‘CSR to be viewed as the philosophy of organizations to serve the interests of society..... The National CSR hub will ensure that all activities are carried out as per laid down norms’

both SEBI guidelines and DPE guidelines while non-listed CPSEs could voluntarily follow DPE Guidelines; **Memorandum of Understanding (MoU)**, with issues ranging from that of State responsibility to adopt MOU system at par with the Centre, offering of incentives to well performing PSEs, to that of the Center’s role in motivating States into a more active partnership, and **Corporate Social Responsibility (CSR)**, where the discussions centered around the fact that CSR activities must be specific projects with specific budgets and specific timeline, there must be a core functional CSR team to oversee CSR activities and that DPE should set up a CSR Hub to monitor and facilitate CSR activities.

Most of these suggestions have subsequently been adopted in the guidelines for CSR of CPSEs announced by the DPE.

‘State level Public Enterprises became the centre of concerted discussion for the first time. Issues and queries on their functioning were discussed and clarified at the zonal level workshops’

SOEs get their first ever zonal workshop on State Level Public Enterprises

Two Workshops of State Level Public Enterprises (SLPEs) of Eastern and Southern Regions were held for the first time in Kolkata and Bangaluru. Representatives of State Governments of Bihar, Orissa, Jharkhand and West Bengal, Andhra Pradesh, Kerala, Karnataka, Tamil Nadu along with representatives from SLPEs of these States and the UTs of Pondicherry and A& N Islands participated in the workshop.

The workshops covered **Management Information System**-where some of the issues raised and resolved were the appointment of State Coordinators for collection and compilation of data related to SLPEs at the State level and sending the same to the DPE; the need for timely and relevant information to help in informed decision making, which is where the MIS is useful and the importance of the format developed by the DPE to be followed in order to facilitate compilation of data at the national level; **Corporate Governance**, where the common issues were those of autonomy to CPSEs being matched with accountability and the mandate for listed CPSEs to follow

Zonal Workshop on Public Sector Enterprises in Kolkata



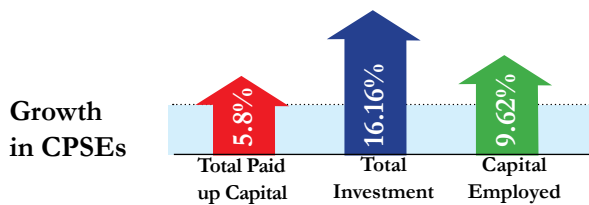
Zonal Workshop in Bengaluru.



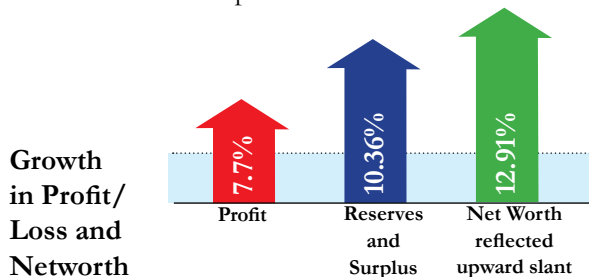
DPE brings out the Public Enterprises Survey 2008-09

The Public Enterprise Survey on the performance of 246 CPSEs was brought out by the Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises, GOI, and placed in both the Houses of Parliament in February, 2010. The main highlights of the survey are:

(i) **Investment in CPSEs** - The total paid up capital was on an upswing by 5.8% from the previous year and the total investment had registered a growth of 16.16%, while the capital employed showed a growth of 9.62%.

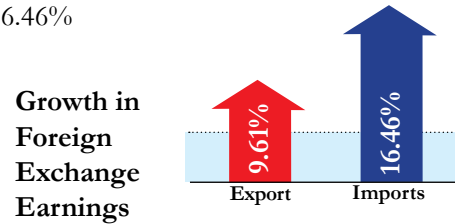


(ii) **Profit / Loss and Networth** - Profits were up by 7.7% in the profit making CPSEs, reserves and surplus had grown by a healthy 10.36% and the net worth of all CPSEs reflected the upward slant with a 12.91%.

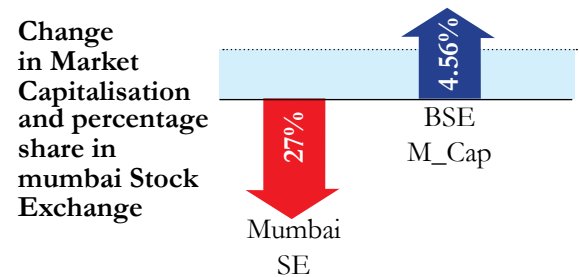


(iii) **Contribution of CPSEs to Central Exchequer** - The Contribution through various direct duties, taxes, loans etc, showed a decline of 8.59%

(iv) **Foreign Exchange Earnings** - The export earnings was up by 9.61% and outgo on imports reflected a growth of 16.46%



(v) **Market Capitalisation (M_Cap) and Stock Exchange** - The total market capitalization of 41 listed CPSEs in the Mumbai SE fell by 27% while the M_Cap of listed CPSEs as per cent of BSE M_Cap went up by 4.56%.



By the end of September 2009, aggregate profit of 129 CPSEs increased by 60%, while 38 listed CPSEs showed growth in profit by 124.65%. The 24 BRPSE referred CPSEs and 22 BIFR referred CPSEs recorded a fall in losses by 47.20% and 17.34% respectively.

Board for Reconstruction of Public Sector Enterprises (BRPSE) Updates.

Established in December 2004 as an advisory body to the Government, the Board for Reconstruction of Public Sector Enterprises (BRPSE) works on strategies, measures and schemes related to strengthening, modernizing, reviving and restructuring of public sector enterprises. Recommendations of the Board are approved by the Government.

Since its inception, 66 proposals of CPSEs have been referred to the BRPSE by the concerned department or Ministry, which have been considered over 81 meetings conducted by the Board. The outcome of these

considerations has been the recommendation by the Board for the revival of 58 CPSEs and closure of 3. These 61 cases envisage cash and non-cash assistance of Rs 34485 crores by the Government of India.

Of these recommendations, the government has approved the revival of 39 CPSEs and the closure/winding up of 2 CPSEs-Bharat Ophthalmic Glass Ltd. And Bharat Yantra Nigam Ltd, resulting in a total fund/non-fund based assistance of Rs 23581 crores (Rs 3286 crores in cash and Rs 20295 crores in non-cash) from the GOI.

A Brief Overview of Some Events of the Past Quaters

Meetings of Inter-Ministerial Committee

The Inter-Ministerial Committee (IMC) found National Aluminium Company Limited compliant with the requirements of a Navratna CPSE.

Launch of Online database of Directors of CPSEs

A database of incumbents of Boards of Directors of CPSEs, developed with the help of DPE-NIC has been launched, loaded with the latest information on all functional, official and non-official Directors on the Boards of various CPSEs.

<http://dpebod.nic.in/bod/home.aspx>

Workshop on Performance Management System (PMS)

Nine Navratna CPSEs participated in the first 'Workshop on Performance Management System (PMS)' at Hyderabad in May. The others will participate in subsequent workshops.



International Public Sector Strategy Workshop

An Indian delegation, led by the Secretary DPE, participated in the International Public Sector Strategy Workshop held in London on 11th and 12th March, 2010

Workshop on Corporate Governance for CPSEs

A Workshop on Corporate Governance for CPSEs was organized in collaboration with World Bank in February, to address issues relating to Empowerment of Boards, Disclosure, Memorandum of Understanding and Guidelines on Corporate Governance for CPSEs.



Memorandum of Understanding (MoU)

200 CPSEs have signed MoUs for the year 2010-11, ahead of the 197 MOUs signed in the previous year.

Annual Performance Reports (APRs) of CPSE top management

Based on the recommendations of the IMC, DPE has issued new guidelines on a revised format and procedure for the purpose of writing APRs of top management incumbents of CPSEs.

Performance Monitoring and Evaluation System (PEMS)

A Results Framework Document (entered in the RFMS system of Performance Management of the Cabinet Secretariat and uploaded on the official web-site of DPE) was prepared under the Performance Monitoring and Evaluation System (PEMS), submitted and discussed in the meeting of the Ad-hoc Task Force of the Cabinet Secretariat.

CPSEs in the News

The Economic Times

New Delhi, 3 May 2010

STATE-OWNED COMPANIES TO EMPLOY 31,000 MORE PEOPLE IN 2010-11

NEW DELHI: Public sector units, which saw a reduction in their head count in 2008-09 due to voluntary retirement schemes, have started hiring again and may return to the 2007-08 level of 15.66 lakh employees this fiscal, a senior official said, "In the current year, the PSUs may provide gainful employment," Department of Public Sector Enterprises Secretary Bhaskar Chatterjee told PTI.

These companies are expected to create fresh employment for 31,000 people in the current fiscal. He said the Voluntary Retirement Scheme (VRS) and attrition were the main reasons for the head count going down in 2008-09.

"We didn't issue any pink slips in 2009-10. We didn't let (go of) people as the private sector did, in the wake of global meltdown," he said. The employee strength in 246 state-owned companies declined to 15.35 lakh people in 2008-09 from 15.66 lakh in 2007-08, mainly due to the VRS. Since the introduction of the VRS, between October, 1988, and March 2009, about 6.1 lakh CPSE employees have opted for it, as per the Public Enterprises Survey 2008-09.

"In the current fiscal, it could come to the earlier level (of 2007-08)," the Secretary said.

Despite the economic slowdown, the PSUs had shown a profit growth of about 8 per cent in 2008-09. While the figures for 2009-10 have not been released, they are expected to have performed well. Their profit was estimated to be 11 per cent of turnover in the last fiscal, which may go up to 13 per cent in 2010-11, Chatterjee said.

The Economic Times

New Delhi, 25 April 2010

COAL INDIA TO QUALIFY FOR MAHARATNA STATUS AFTER LISTING

NEW DELHI: Coal India, which is set to launch an initial public offering, will qualify for the Maharatna status with greater autonomy after listing on the stock market in the next few months.

"As soon as it (CIL) gets listed, it will (qualify to) become the fifth Maharatna," Secretary in the Department of Public Enterprises Bhaskar Chatterjee told PTI.

CIL, the world's largest coal-miner with turnover Rs 52,000 crore in fiscal 2009-10, would be the fifth large PSU which will qualify for the coveted position that entitles a state-owned firm a greater financial freedom.

ONGC, IndianOil, Steel Authority of India and NTPC, the Navratna firms, have already applied for the new status.

The Maharatna tag would give CIL board of directors the financial authority to actively pursue acquisition of mining properties in South Africa, Indonesia, Australia and the US. The company with about four lakh employees, has set aside over Rs 10,000 crore for the capital expenditure, of which Rs 6,000 crore is meant for overseas ventures.

A company needs to have a three-year track record of annual net profit of over Rs 5,000 crore, net worth of more than Rs 15,000 crore and turnover of more than Rs 25,000 crore, besides being listed on stock exchanges to be eligible for the Maharatna status.

The Economic Times

Mumbai, 20 Nov 2009

DISINVESTMENT OF 4 PSUs LIKELY TO BE COMPLETED IN TWO MONTHS

MUMBAI: Disinvestment process in four public sector undertakings is likely to be completed over the next two months, a top government official said. "The disinvestment process of NTPC, SAIL, Satluj Jal Vidyut Nigam and Rural Electrification Corporation will be completed in the next two months," Department of Heavy Industry and Public Enterprises' Secretary Bhaskar Chatterjee told reporters here.

The government recently decided that profitable listed companies have to raise the public holding to a minimum of 10 per cent of their capital and all profit-making unlisted PSUs should endeavour to go public.

It was decided that the funds raised through the selling of these stakes will go towards the capital expenditure for social sector schemes.

The government has identified 50 unlisted public companies and 10 listed companies in this regard.

"We hope it (disinvestment) will help the government to curb fiscal deficit," Chatterjee said.

According to him, five sick companies including National Film Development Corporation and Central Inland Water Transport Corporation have been referred to the Board of Restructuring Public Sector Enterprises (BRPSE).

The Board will decide on their fate, he said. Chatterjee said that of 214 companies under his department, 28 are under the revival process.



Central Public Sector Enterprises

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