

## **Turning selected public sector enterprises into global giants—grant of autonomy.**

The Common Minimum Programme of the Government states, inter-alia, that Government will identify public sector companies that have comparative advantages and support them in their drive to become global giants. In pursuance of these objectives, the Government have decided to grant the enhanced autonomy and delegation of powers subject to the guidelines mentioned below.

2. The Government has decided the following delegation of decision making authority to the Boards of PSEs:—

- (i) To incur capital expenditure on purchase of new items or for replacement, without any monetary ceiling.
- (ii) To enter into technology joint ventures or strategic alliances.
- (iii) To obtain by purchase or other arrangements, technology and know-how.
- (iv) To effect organizational restructuring including establishment of profit centers, opening of offices in India and abroad, creating new activity centers, etc.
- (v) Creation and winding up of all posts including and up to those of non-Board level Directors i.e. Functional Directors who may have the same pay scales as that of Board level Directors, but who would not be members of the Board. All appointments up to this level would also be in the powers of the Boards and would include the power to effect internal transfers and redesignation of posts.
- (vi) To structure and implement schemes relating to personnel and human resource management, training, voluntary or compulsory retirement schemes, etc.
- (vii) To raise debt from the domestic capital markets and for borrowings from international market, which would be subject to the approval of RBI/Department of Economic Affairs as may be required and should be obtained through the administrative Ministry.
- (viii) To establish financial joint ventures and wholly owned subsidiaries in India or abroad with the stipulation that the equity investment of the PSE should be limited to the following:

(1) Rs.200 crores in any one project

(2) 5 per cent of the net worth of the PSE in any one project

(3) 15 per cent of the net worth of the PSE in all joint ventures/subsidiaries put together.

3. While normally the investment would be done directly by the parent PSE, in cases where it proposes to invest through a subsidiary into another joint venture, and also provides the additional capital for this purpose, the stipulations incorporated in points (viii) – (2) & (3) above would be in the context of the parent company.

4. The existing decision making powers vested in various agencies would stand altered to give effect to the proposed delegation to the PSEs and the necessary changes in the rules, notification, instructions, articles/memoranda of association, etc. shall be carried out by the concerned Department where required.

5. The above would be subject to the following conditions and guidelines:-

a) The proposals must be presented to the Board of Directors in writing and reasonably well in advance, with an analysis of relevant factors and quantification of the anticipated results and benefits. Risk factors if any must be clearly brought out.

b) The Government Directors, the Financial Directors and the concerned Functional Director (s) must be present when major decisions are taken, especially when they pertain to investments, expenditure or organizational/capital restructuring.

c) The decisions on such proposals should preferably be unanimous.

d) In the event of any decision on important matters not being unanimous, a majority decision may be taken, but at least two thirds of the Directors should be present, including those mentioned above, when such a decision is taken. The objections, dissents, the reasons for over-ruling them and those for taking the decision should be recorded in writing and minuted.

e) No financial support or contingent liability on the part of the Government should be involved.

f) These PSEs will establish transparent and effective systems of internal monitoring, including the establishment of an Audit Committee of the Board with membership of non-official Directors.

g) All the proposals, where they pertain to capital expenditure, investment or other matters involving substantial financial or managerial commitments or where they would have a long term impact on the structure and functioning of the PSE, should be prepared by or with the assistance of professionals and experts and should be appraised, in suitable cases, by financial institutions or reputed professional organizations with expertise in the areas. The financial appraisal should also preferably be backed by an involvement of the appraising institutions through loans or equity participation.

h) The exercise of authority to enter into technology joint ventures and strategic alliances as referred to in para 2 (ii) above shall be in accordance with the Government guidelines as may be issued from, time to time.

i) The Boards of these PSEs should be restructured by inducting non-official Directors as the first step before the exercise of the enhanced delegation of authority, as indicated vide DPE's OM of even number dated the 22nd July, 1997.

j) These public sector enterprises shall not depend upon budgetary support or Government guarantees. The resources for implementing their programmes should come from their internal resources or through other sources, including the capital markets.

6. This grant of autonomy to the Boards of PSEs, as indicated above, is specific to the 9 enterprises identified by the Govt viz, BHEL, BPCL, HPCL, IOC, IPCL, NTPC, ONGC, SAIL and VSNL.

7. Administrative Ministries may please bring the contents of the Govt decision to the notice of these enterprises.

**(DPE O.M. No. DPE/11(2)/97-Fin. dated 22nd July, 1997)**