**Financial and operational autonomy for profit making public sector enterprises—Mini-Ratnas.**

In pursuance of the policy objective to make the public sector more efficient and competitive, Government have decided to grant enhanced autonomy and delegation of powers to the profit making public sector enterprises, subject to the eligibility criteria and guidelines as mentioned below and subsequently in this Memorandum.

**2. Eligibility and classification**

2.1 **Category-I PSEs:** PSEs should have made profit in the last three years continuously, the pre-tax profit should have been Rs.30 crores or more in at least one of the three years and should have a positive net worth.

2.2 **Category-II PSEs:** These PSEs should have made profit for the last three years continuously and should have a positive net worth.

2.3 These PSEs shall be eligible for the enhanced delegated powers provided they have not defaulted in the repayment of loans/interest payment on any loans due to the Government.

2.4 These public sector enterprises shall not depend upon budgetary support or Government guarantees.

2.5 The Boards of these PSEs should be restructured by inducting at least three non-official Directors as the first step before the exercise of enhanced delegation of authority, as indicated vide DPE's OM of even number dated the 9th October, 1997.

The administrative Ministry concerned shall decide whether a Public Sector Enterprise fulfilled the requirements of a Category-I/Category-II company before the exercise of enhanced powers.

3. The delegation of decision-making authority available to the Boards of the eligible PSEs would be as follows:

**3.1 Capital Expenditure**

3.1.1 **For PSEs in Category-I**: To incur capital expenditure on new projects, modernization, purchase of equipment, etc. without Government approval upto Rs.300 crores, or equal to their net worth, whichever is lower.

3.1.2 **For PSEs in Category-II**: To incur capital expenditure on new projects, modernization, purchase of equipment, etc. without Government approval up to Rs.150 crores or up to 50% of their net worth, whichever is lower.

**3.2 Joint Ventures, Subsidiaries and Overseas Offices**

3.2.1 **For PSEs in Category-I**: To establish joint ventures and subsidiaries in India, with the stipulation that the equity investment of the PSEs should be limited to Rs.100 crores in any one project, should not exceed 5% of the net worth of the PSE in any one project, or 15% of the net worth of the PSE in all joint ventures/subsidiaries put together. Establishment of subsidiaries and opening of offices abroad may be finalized with the concurrence of the administrative Ministries.

3.2.2 **For PSEs in Category-II**: To establish joint ventures and subsidiaries in India, with the stipulation that the equity investment of the PSEs should be limited to Rs.50 crores in any one project, should not exceed 5% of the net worth of the PSE in any one project, or 15% of the net worth of the PSE in all joint ventures/subsidiaries put together. Establishment of subsidiaries and opening of offices abroad may be finalized with the concurrence of the administrative Ministries.

**3.3 Technology joint ventures and strategic alliances**

3.3.1 **For PSEs in both categories:** To enter into technology joint ventures, strategic alliances and to obtain technology and know-how by purchase or other arrangements subject to Government guidelines as may be issued from time to time.

**3.4 Schemes for HRD**

3.4.1 **For PSEs in both categories:** To structure and implement schemes relating to personnel and human resource management, training, voluntary or compulsory retirement schemes, etc.

[**Note:** If in some exceptional and unanticipated situation, the revised enhanced limits for incurring capital expenditure in paras 3.1.1 and 3.1.2 become lower than the existing limits, then the existing powers based on the gross block calculations will continue to remain valid]

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, notifications, instructions, articles/memoranda of association, etc. shall be carried out by the concerned Department where required.

5. The above delegation on powers would be subject to the following conditions and guidelines:

5.1 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.

5.2 All the proposals, where they pertain to capital expenditure, investment or other maters involving substantial financial or managerial commitments or where they would have a long terms 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.

5.3 No financial support or contingent liability on the part of the government should be involved. These public sector enterprises shall not depend upon budgetary support or Government guarantees.

5.4 Before taking decisions involving long-term or major financial commitments, including and especially for new projects and joint ventures, the internal and extra-budgetary resource position and projections should be assessed realistically.

5.5 The Government Directors, the Finance Director 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.

5.6 The decisions on such proposals should preferably be unanimous.

5.7 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.

5.8 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.

6. Administrative Ministries may please bring the contents of the Government decision to the notice of these enterprises.

**(DPE O.M. No.11/36/97-Fin. dated 9th October, 1997)**