Vision New India 2022
Re-defining Role & Functioning of CPSEs

April 09, 2018
Vigyan Bhawan, New Delhi
CPSEs – An overview

1. CPSEs – Critical to India’s development

2. Journey so far

By: Secretary, DPE

Department of Public Enterprises
## Highlights of CPSEs over last 3 years (2014-15 to 2016-17)

<table>
<thead>
<tr>
<th></th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Operating CPSEs (nos.)</td>
<td>236</td>
<td>244</td>
<td>257</td>
<td>8.89</td>
</tr>
<tr>
<td>Investment (₹ lakh cr.)</td>
<td>10.96</td>
<td>11.72</td>
<td>12.50</td>
<td>14.05</td>
</tr>
<tr>
<td>Gross Turnover (₹ lakh cr.)</td>
<td>19.95</td>
<td>18.55</td>
<td>19.54</td>
<td>2.05</td>
</tr>
<tr>
<td>Net Worth (₹ lakh cr.)</td>
<td>9.27</td>
<td>10.02</td>
<td>10.5</td>
<td>13.27</td>
</tr>
<tr>
<td>Overall net profit (₹ lakh cr.)</td>
<td>1.03</td>
<td>1.16</td>
<td>1.27</td>
<td>23.30</td>
</tr>
<tr>
<td>Profit making CPSEs (nos.)</td>
<td>159</td>
<td>164</td>
<td>174</td>
<td>9.43</td>
</tr>
<tr>
<td>Loss making CPSEs (nos.)</td>
<td>76</td>
<td>79</td>
<td>82</td>
<td>7.89</td>
</tr>
</tbody>
</table>
Presence across core sectors (Last three years running average)

<table>
<thead>
<tr>
<th>5 sectors with Net Profit &gt;10,000 crore</th>
<th>5 sectors with Net Profit 2,000-10,000 crore</th>
<th>4 sectors with Net Profit 150-250 crore</th>
<th>6 sectors with negative Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum</td>
<td>Power transmission</td>
<td>Hotel &amp; tourism</td>
<td>Agro-based</td>
</tr>
<tr>
<td>Crude oil</td>
<td>Minerals &amp; metals</td>
<td>Textiles</td>
<td>Industrial &amp; consumer goods</td>
</tr>
<tr>
<td>Power generation</td>
<td>Construction Consultancy</td>
<td>Fertilizers</td>
<td>Chemicals/Pharmaceuticals</td>
</tr>
<tr>
<td>Coal</td>
<td>Heavy &amp; medium engineering</td>
<td>Transport equipment</td>
<td>Steel</td>
</tr>
<tr>
<td>Financial services</td>
<td></td>
<td></td>
<td>Telecom/IT</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Trading &amp; Marketing</td>
</tr>
</tbody>
</table>
CPSEs – Critical to India’s development

Contribution to central exchequer

19.7% of total receipts

2.21 Lakh Cr.  
2013-14

3.85 Lakh Cr.  
2016-17
CPSEs – Critical to India’s development

Employment

15+ lakh
## Increased participation in stock market

### Listed CPSEs (Nos.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>45</td>
</tr>
<tr>
<td>2016-17</td>
<td>50</td>
</tr>
</tbody>
</table>

### Market Cap (INR)

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Cap (INR)</th>
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<tbody>
<tr>
<td>2013-14</td>
<td>11.02 lakh cr.</td>
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<tr>
<td>2016-17</td>
<td>17.44 lakh cr.</td>
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**Corporate governance**

**Creating wealth for citizens**

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Department of Public Enterprises
Strategic disinvestment

- **Paradigm shift** – Disinvestment to efficient management
- Process initiated after 12 years
- Companies identified – 24
- Air India, Cement Corporation of India, India Tourism Development Corporation
- Government to **exit from non-priority sectors**
- **Strategic buyer** – funds, technology, new management
- Optimum **development of business potential/growth**
CPSEs identified for closure – 19

- Unlocking tied-up capital
- Reduce accumulated losses of ~INR 43,000 Cr. going forward
- Higher economic returns for stakeholders
- Funds freed could be used productively
  - Monetizing moveable & immovable assets
  - Attractive VRS to employees
30% of total CSR spend

Contributed 9,815 cr. in last three years on CSR
Driving several flagship Government schemes

- **LPG connections** to over **3.56 crore** households since May 2016
- **1.39 lakh** toilets built under CSR (schools)
- **29.27 crore** LED bulbs distributed since January 2015
- **16,686** villages electrified since April 2015

Out of **18,452 UE Villages**
<table>
<thead>
<tr>
<th>Process followed</th>
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<tr>
<td><strong>Sep 2017</strong></td>
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<tr>
<td>Brainstorming sessions of Government nominees in CPSE Boards</td>
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<tr>
<td>10 Nodal Groups of 40 Ministries</td>
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<td><strong>Sep-Oct 2017</strong></td>
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<tr>
<td>‘Google Hangout’ in CPSEs with all employees</td>
</tr>
<tr>
<td>175 CPSEs covering 6.5 lakh employees</td>
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<tr>
<td><strong>Oct 2017</strong></td>
</tr>
<tr>
<td>Day long brainstorming session by every administrative ministry with their CPSEs</td>
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<tr>
<td>40 Ministries/ Depts. covering 1500 officials</td>
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<tr>
<td><strong>Nov 2017</strong></td>
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<tr>
<td>Workshop with all CPSEs &amp; ministries</td>
</tr>
<tr>
<td>550 officials</td>
</tr>
<tr>
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<tr>
<td>---</td>
</tr>
<tr>
<td>1</td>
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<tr>
<td>2</td>
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<tr>
<td>3</td>
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<tr>
<td>4</td>
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Transformative change – Theme 1

1 Corporate governance in the new age

- Challenges holding CPSEs back
- Vision & Goals
- Improving performance of CPSEs
- Role and contribution of Govt. nominee directors
- Promotion of flagship schemes

By: MD, EESL
Potential to contribute more: challenges holding CPSEs back

<table>
<thead>
<tr>
<th>Internal</th>
<th>External</th>
</tr>
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<tbody>
<tr>
<td>✅ Risk averse hierarchical culture</td>
<td>✅ Increasingly complex business environment</td>
</tr>
<tr>
<td>✅ Boards not steering long term growth path</td>
<td>✅ Strong oversight and regulatory requirements</td>
</tr>
<tr>
<td>✅ Lack of accountability for non-performance</td>
<td>✅ Balancing commercial efficiency vs. social responsibility</td>
</tr>
<tr>
<td>✅ Slow to embrace new technology</td>
<td>✅ Image/Brand Perception</td>
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<tr>
<td>✅ Cumbersome procurement policy</td>
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Way forward: Vision & goals

**VISION**
- CPSEs on transformational growth path for **New India - 2022**

**GOALS**
- Globally competitive CPSEs – productivity/efficiency/quality
- Benchmarking with **best practices**
- Aligned with **national priorities**
1 Improve performance of CPSEs

10 Indian CPSEs to be a part of global Fortune 500 companies
- Navratnas (16) to aim for India Fortune 100

Periodic performance benchmarking by independent agencies

Streamline tendering & procurement policy

Litigation redressal mechanism
- An independent panel of experts to provide prior advice/advance ruling
**Role & contribution of Govt. nominee directors**

- **Nominee director** *a channel between Government and CPSE*
- **Capacity building** of nominee director
- **Suitable entry of his contributions** in the board in his APAR
- **Only one nominee director** in CPSE Board - One officer not be appointed in more than two CPSEs
Promoting flagship schemes of the government

- CPSEs as **incubators** in their respective fields
- **Target of start-ups** for each CPSE
- Support start-ups by **providing technology/training**

- CPSEs & contractors to **employ skill certificate holders**
- Skill development in **remote and backward areas**
Residential colonies of CPSEs be developed as Smart Cities

- 08 Townships to be converted into Smart Cities by Maharatna CPSEs by 2022
- 04 Townships to be converted into Smart cities by Navratna CPSEs by 2022
People first: Reinventing Human Resource Management

- Sharing of best practices
- Review HRM policies
- Young minds in business
- CSR – Joy of Giving
2 Sharing of best practices between CPSEs

- **Knowledge management repository** (portal) – sharing best practices/processes

- **Periodic benchmarking** by CPSEs **against global and national** best-in-class
- Specific performance management measures
  - **Fast track promotion** for star performers
  - **Customize 56 J** for CPSEs
  - **Separate career track** for specialists/R&D personnel

- **Outsource non-core functions** – lean CPSEs
- More delegation of power below board level
- Customized sabbatical policy for employees
- Amendment of Trade Union Act, 1926
- Industry – Academia partnership – Internship programme
  - Jobs to summer interns
  - Mentoring of Interns – Part of PAR

- Start up support for budding entrepreneurs

- Build brand image of CPSEs through social media
All CPSEs to participate in CSR
- CSR aligned with Government’s priorities for nation building
- Reorient CSR through Joy of Giving

Profit making CPSEs to allocate
- 50% of CSR funds towards annual themes
- 30% of CSR funds towards aspirational/selected districts
- 20% for stand-alone projects by CPSEs
3 Financial re-engineering

- Consolidation of CPSEs
- Promoting efficiency and better financial management
- Promotion of micro and small enterprises
Consolidation of CPSEs

- Merger of similar CPSEs
  - Benefit from economies of scale
  - Increase global competitiveness
  - Access to cheaper international funding

- Holding companies to manage CPSEs at arm’s length from government
  - Single holding company with subsidiary CPSEs—Railways, Steel, Power, Petroleum, Fertilizer

- Statutory Agencies (AAI, NHAI, Port Trusts) to be corporatized
- **Consortium of CPSEs** to bid for global tenders

- **Best Operational Practices:**
  - Beyond six sigma

- **Logistics aggregation** – GeM Portal

- **Efficient operations** – concept to operation

- **Resource management** – energy, material, design, etc.
3 Promotion of the MSME ecosystem

- Ministry of MSME – SAMBANDH portal
  - Increase procurement from MSE units
  - Annual procurement plan of 131 CPSEs uploaded

- Vendor development programmes to promote potential MSE suppliers

- Collaboration with skill development council to increase SC/ST vendor base

- SAMADHAN portal- delayed payment monitoring system/MSEs register grievance
4 Innovation, R&D and Technology for the future

- Export promotion, import substitution
- Roadmap for upgradation of technology
- Common research centre
- Digital India
4 Promote export and encourage import substitution

- Select items for import substitution/export promotion
  - Strategic global sales to United Nations (UN)/international organizations
  - Market promotion roadshows in top importing countries
  - Customization of products
  - G2G to B2B in exports

- Consortium of CPSEs to bid for identified projects abroad
  - USPs- Engineering, Consultancy, Oil & Gas., Heavy Engg., Electronics, etc.

- Global facilitation centers (preferably Africa & Latin America)
4 Upgrade technology

- **Tech-Up India Mission**
  - National coordination mechanism for
    - Technology independence,
    - Technology leadership,
    - Enhancing manufacturing value addition and
    - Reducing import bill

- **Incentivize R&D activities**

- **Innovation cells within each CPSEs**
Sharing R&D and other facilities

- **Collaborative R&D and Synergetic Knowledge**
  - R&D centers of CPSEs as members – hub & spoke
  - Tie-ups with premier institutes
  - Market oriented research

- **Infrastructure-as-a-Service**
  - Online platform for sharing of infrastructure, equipment, testing, training facilities, etc.
Efforts to promote Digital India

- **ERP** (Enterprise Resource Planning), online inventory, asset records, **paperless office**
- **E-tendering; E-procurement**
- **Digital payment** in all transactions
- **Satellite based** and **drone** technology
- Strengthening systems for **cyber security**
Way forward: Strategy

Creation of a Vision Statement

- Long term goals (07-15 years)
- Medium term strategy (03-07 years)
- Short term action plans (up to 03 years)

Each CPSE to identify quantifiable goals

- Increasing competitiveness
- Promoting innovation, R&D and technology
- Streamlining governance mechanism & financial architecture
- Reinventing Strategic Human Resource Management
- Contribution towards national priorities
Vision 2022: Important Milestones/Objectives

**Fertilizers**
- Achieve self-sufficiency in Urea
- Urea production of 30 Million Ton (24% increase)

**Biotechnology**
- Create ecosystem for USD 100 billion
  - 3000 start-ups
  - 150 transfer of technology offices
  - 50 Bio-incubators

**New technology**
- Coal to methanol/chemical
- Advance ultra super-critical coal power tech.
- VAM (Triple Generation)/ Fuel Cell
### Vision 2022: Important Milestones/Objectives

#### Power
- “Power for all” by 2019
- 20% renewable power by 2022
- Smart metering/digitization for operational efficiency
- Electric Vehicle charging stations at 75 cities

#### Steel
- Steelmaking capacity to increase to 175 MT by 2022 & 300 MT by 2031
- CPSE Crude steel production to be 20.5 MTPA (up by 11%)
Vision 2022: Important Milestones/Objectives

- Reducing import dependence by 10%
- Refining capacity to ~ 415 MMTPA by 2025 (including 25% capacity for export)
- Expand Petrochemical capacity
- Bio-Fuel Policy in 2018
- 4% bio-fuels blending in petrol /diesel (to double forex saving to INR 3500 cr.)
**Vision 2022: Important Milestones/Objectives**

- Expand national gas grid including North East (1500 km)
- Regas capacity on east coast
- CGD in current & new cities
- Expand LPG pipeline network
**Vision 2022: Important Milestones/Objectives**

### Defence production
- To achieve USD 26 billion turnover by 2025
  - Additional investment of ~ USD 10 bn
  - Employment generation for 20-30 lakh people
  - Export of USD 5+ bn
  - Global leader in cyberspace & AI
  - Supporting chip-level fabrication

### Airports
- Airports at tier 2/3 cities to build additional 154 MPPA capacity
Vision 2022: Important Milestones/Objectives

Self employment

- Concessional financing of INR 11,300 Cr. for 24 lakh marginalized households

Skilling

- ~4 lakh marginalised citizens
Each CPSE in consultation with admin. ministry to formulate detailed action plan within 3 months

Action Plan to be monitored through a dashboard

Quarterly by CPSEs/admin. ministry

Annual monitoring through independent entity
CPSEs as partners with the Government to achieve its mission & goals

“Building NEW INDIA and serving the unserved”