



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





Highlights of CPSEs over last 3 years (2014-15 to 2016-17)

	2014-15	2015-16	2016-17	% Change
Total Operating CPSEs (nos.)	236	244	257	8.89
Investment (₹ lakh cr.)	10.96	11.72	12.50	14.05
Gross Turnover (₹ lakh cr.)	19.95	18.55	19.54	2.05
Net Worth (₹ lakh cr.)	9.27	10.02	10.5	13.27
Overall net profit (₹ lakh cr.)	1.03	1.16	1.27	23.30
Profit making CPSEs (nos.)	159	164	174	9.43
Loss making CPSEs (nos.)	76	79	82	7.89



Presence across core sectors (Last three years running average)

**5 sectors with
Net Profit
>10,000 crore**

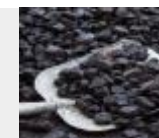
Petroleum



Power
generation



Coal



Crude oil



Financial
services



**5 sectors with
Net Profit
2,000-10,000
crore**

Power
transmission



Minerals &
metals



Heavy &
medium
engineering



Transport



Construction
Consultancy



**4 sectors with
Net Profit
150-250 crore**

Hotel &
tourism



Textiles



Transport
equipment



Fertilizers



**6 sectors with
negative Net
Profit**

Agro-based



Chemicals/
Pharmaceu-
ticals



Steel



Industrial &
consumer
goods



Telecom/
IT



Trading &
Marketing





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



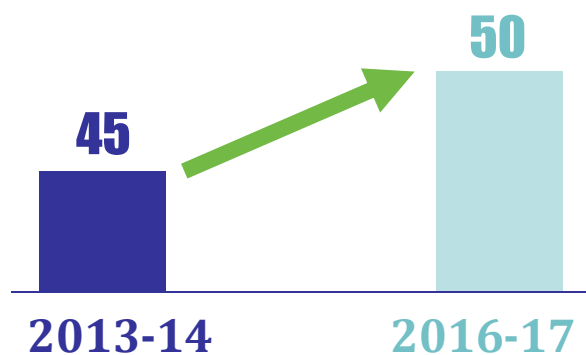
Employment

15+ lakh

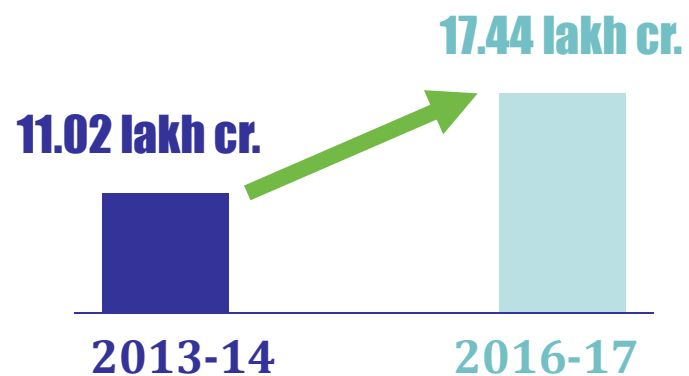


Increased participation in stock market

Listed CPSEs (Nos.)



Market Cap (INR)



**Corporate
governance**



**Creating wealth
for citizens**



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**



Reducing the burden on the exchequer



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



CPSEs – critical to India's development

30%

of total CSR spend

Contributed **9,815 cr.** in
last three years on CSR





Driving several flagship Government schemes



Since May 2016

LPG connections
to over
3.56 crore
households



1.39 lakh
toilets built
under CSR
(schools)



Since January 2015

29.27 crore
LED bulbs
distributed



DDUGJY

Since April 2015

16,686
villages
electrified

Out of 18,452 UE Villages



Process followed

Sep 2017

Brainstorming sessions of Government nominees in CPSE Boards

10 Nodal Groups of 40 Ministries



Sep-Oct 2017

'Google Hangout' in CPSEs with all employees

175 CPSEs covering 6.5 lakh employees



Oct 2017

Day long **brainstorming session** by every **administrative ministry** with their CPSEs

40 Ministries/ Depts. covering 1500 officials



Nov 2017

Workshop with all CPSEs & ministries

550 officials





Four themes - transformative change

1



Corporate governance in the new age

2



People first: Reinventing human resource management

3



Financial re-engineering

4



Innovation, R&D and technology for the future



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

Department of Public Enterprises



Potential to contribute more: challenges holding CPSEs back

Internal

- “ **Risk averse hierarchical** culture
- “ **Boards not steering** long term growth path
- “ **Lack of accountability** for non-performance
- “ Slow to embrace **new technology**
- “ **Cumbersome procurement** policy

External

- “ Increasingly **complex business environment**
- “ **Strong oversight** and regulatory requirements
- “ **Balancing** commercial efficiency vs. social responsibility
- “ **Image/Brand Perception**



Way forward: Vision & goals



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



- 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



1 Role & contribution of Govt. nominee directors



Nominee director **a channel between Government and CPSE**

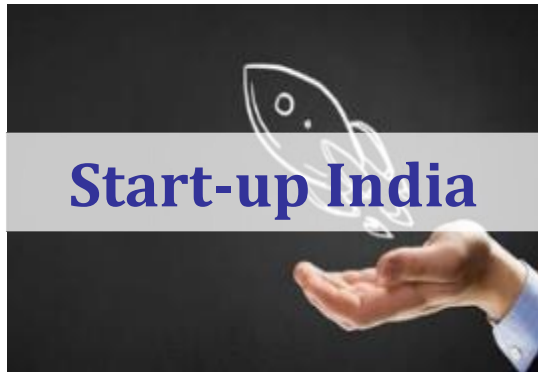
Capacity building of nominee director

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



1 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**



1 Residential colonies of CPSEs be developed as Smart Cities



SAIL Bhilai Township

- 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



Transformative change – Theme 2

2

People first: Reinventing Human Resource Management



Sharing of best practices



Review HRM policies



Young minds in business



CSR – Joy of Giving

By: MD, NBCFDC

Department of Public Enterprises



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





2 Review HRM Policies

- 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





2 Young minds in business

- **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**





2 CSR- Joy of Giving

- **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





Transformative change – Theme 3

3

Financial re-engineering



Consolidation of CPSEs



Promoting efficiency and better financial management



Promotion of micro and small enterprises



3 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**





3 Promoting efficiency & better financial management

- **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



Transformative change – Theme 4

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**





4 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.





4 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

Vision New India 2022



By: CMD, GAIL

Department of Public Enterprises



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

Oil



Reducing import dependence by 10%

Refining capacity to ~ 415 MMTPA by 2025
(including 25% capacity for export)

Expand Petrochemical capacity

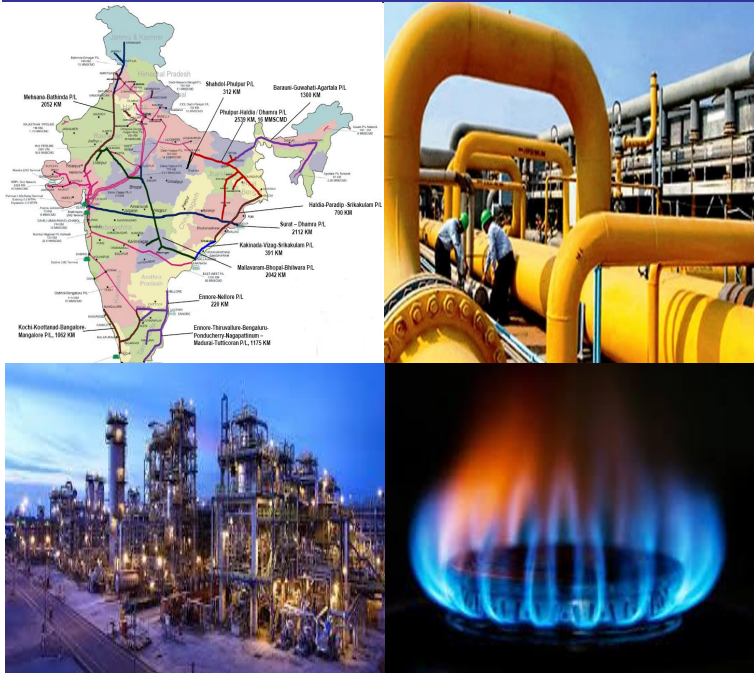
Bio-Fuel Policy in 2018

4% bio-fuels blending in petrol /diesel
(to double forex saving to INR 3500 cr.)



Vision 2022: Important Milestones/Objectives

Natural Gas



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



Monitoring mechanism

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

Sample dashboard

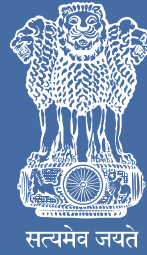
Illustrative economic dashboard for upstream oil and gas company

■ Above 75th peer percentile ■ Between 25th and 75th peer percentile ■ Below 25th peer percentile

Economic profit heat map, Average, FY 2012-16G

Company	Return on Invested capital (%)	Cost \$/barrel	Reserve Replacement Ratio	Economic value added %
GLOBAL PEER 1	27.8	20	1.27	24
GLOBAL PEER 2	23.6	36	1.31	22
GLOBAL PEER 3	19.2	39	1.22	15
GLOBAL PEER 4	18.9	46	1.31	12
CPSE 1	15.8	42	1.49	6
Sector average India	13.7	44	1.11	3
CPSE 2	10.3	49	0.8	1
CPSE 3	8.2	49	1.07	1

McKinsey & Company 1



CPSEs as partners with the Government to achieve its mission & goals



“Building NEW INDIA and serving the unserved”