

Department of Public Enterprises Ministry of Finance

About the Department:

The Department of Public Enterprises is the nodal department for all the Central Public Sector Enterprises (CPSEs) and formulates policy pertaining to CPSEs. It lays down, in particular, policy guidelines on performance improvement and evaluation, autonomy and financial delegation and personnel management in CPSEs. It furthermore collects and maintains information in the form of a Public Enterprises Survey on several areas in respect of CPSEs.

2. Major Activities of Department of Public Enterprises:

In fulfilling its role, the Department coordinates with other Ministries, CPSEs and concerned organizations. Some of the important tasks of the Department are listed as follows:-

- Residual work relating to erstwhile Bureau of Public Enterprises including Industrial Management Pool.
- Coordination of matters of general policy affecting all Public Sector Enterprises.
- Evaluation and monitoring the performance of Public Sector Enterprises, including the Memorandum of Understanding mechanism.
- Matters relating to Permanent Machinery of Arbitration for the Public Sector Enterprises.
- Counselling, training and rehabilitation of employees in Central Public Sector Undertakings under Voluntary Retirement Scheme.
- Review of capital projects and expenditure in Central Public Sector Enterprises.
- Measures aimed at improving performance of Central Public Sector Enterprises and other capacity building initiatives of Public Sector Enterprises.
- Rendering advice relating to revival, restructuring or closure of Public Sector Enterprises including the mechanisms therefor.
- Matters relating to Standing Conference of Public Enterprises.
- Matters relating to International Center for Public Enterprises.
- Categorisation of Central Public Sector Enterprises including conferring 'Ratna' status.

3. Public Sector Enterprises Survey:

The Department of Public Enterprises brings out the Public Enterprises Survey on the performance of CPSEs which is laid in the Parliament every year during Budget Session.

Highlights of the performance of Operating CPSEs for the year 2019-20

Total Number of CPSEs	366
No of Operating CPSEs	256
Investment (₹ Crore)	20,61,881
Reserves & Surplus (₹ Crore)	9,76,612
Total Turnover (₹ Crore)	24,61,712
Overall Profit (₹ Crore)	93,295
Profit of profit making (171CPSEs)(₹ Crore)	1,38,112
Loss of loss making (84 CPSEs) (₹ Crore)	44,817
Dividend paid by CPSEs (₹ Crore)	72,136
Contribution to the Central Exchequer (₹ Crore)	3,75,895
Foreign Exchange Earnings by CPSEs (₹ Crore)	1,21,755
Employment (Regular) (in numbers)	9,19,648
Market Capitalization (₹ Crore)	8,20,709

Cognate- group wise share of Turnover for the year 2019-20 (in ₹ Crore)

S.No.	Cognate Group	Total Turnover	% Share
1	Petroleum (Refinery & Marketing)	13,05,422	53.03
2	Trading & Marketing	2,03,215	8.26
3	Power Generation	1,49,131	6.06
4	Transport And Logistic Services	1,36,882	5.56
5	Crude Oil	1,25,413	5.09
6	Coal	96,207	3.91
7	Financial Services	92,332	3.75
8	Steel	78,695	3.20
9	Heavy & Medium Engineering	77,359	3.14
10	Contract & Construction And Tech. Consultancy Services	55,489	2.25
11	Power Transmission	38,304	1.56
12	Other Minerals & Metals	27,482	1.12
13	Fertilizers	27,205	1.11
14	Telecommunication & Information Technology	23,483	0.95
15	Chemicals & Pharmaceuticals	9,212	0.37
16	Industrial And Consumer Goods	7,732	0.31
17	Transportation Vehicle & Equipment	3,029	0.12
18	Hotel And Tourist Services	2,677	0.11
19	Agro Based Industries	1,360	0.06
20	Textiles	1,082	0.04
	Total	24,61,712	100.00

4. Streamlining the mechanism for revival and restructuring of sick/ incipient sick and weak Central Public Sector Enterprises:

The Board for Reconstruction of Public Sector Enterprises (BRPSE) was wound up on 9th November, 2015 to streamline the multiple mechanism for revival of sick CPSEs, pursuant to the decision of the Government (Cabinet) on 7.10.2015. DPE has issued on 29.10.2015 guidelines for “Streamlining the mechanism for revival and restructuring of sick/ incipient sick and weak Central Public Sector Enterprises: General principles and mechanism of restructuring” to be followed by the administrative Ministries /Departments in preparation of proposals for revival/restructuring or closure of CPSEs under their administrative control in a time bound

manner. As per the guidelines, the responsibility for addressing the sickness of Central Public Sector Enterprises (CPSEs) lies with the concerned administrative Ministries/ Departments. The administrative Ministries/ Departments monitor the sickness of CPSEs functioning under their control and take timely redressal **measure for** revival/ restructuring/disinvestment of sick/loss making CPSEs with the approval of the competent authority.

For the 1st time a new category - 'weak CPSEs' has been introduced in guidelines issued by DPE to identify CPSEs at an early stage, before they become sick/incipient sick. In respect of such CPSEs, remedial measures are to be taken by the administrative Ministries/ Departments by robust monitoring of the performance of CPSEs to avert any chance of going to sickness.

5. Memorandum of Understanding (MoU):

MoU is a negotiated agreement and contract between the Administrative Ministry/Department/Holding CPSEs i.e. majority shareholder and the Management of the Central Public Sector Enterprises (CPSE) on selected parameters. The purpose of the MoU is to measure the performance of the management of the CPSEs on key selected parameters against the targets agreed upon so as to improve the critical performance indicators of the organization.

Salient features of the MoU Guidelines issued by DPE vide OM dated 16.02.202, are as follows:

- a) The framework of MoU is a self-governing, dashboard based online system for ensuring transparency and elimination of discretion in target setting and evaluation. A digital dashboard with a centralized portal would be used for entering, signing, monitoring and evaluating MoU agreements.
- b) The MoU parameters included are market oriented reflecting the shareholders' interest in terms of growth in revenue, return on net worth, Asset Turnover ratio, EBITDA, Return on Capital Employed and market capitalisation. Adequate weightage has also been given to productivity linked parameters pertaining to CPSE's core operations. Besides certain government's priorities / programmes such as procurement from GeM, MSE sector, Research & Innovation, etc. have been also been included.

- c) **Bench marking and target setting:** The sectoral templates containing the parameters and the corresponding benchmarks would be worked out by Inter Ministerial Committee (IMC) and uploaded on dashboard after the approval of High Powered Committee (HPC). The purpose of sectoral templates is to select & identify the parameters & weightages relevant to the core business activities in that sector. The benchmarks would be based on the historical performance of CPSEs, growth and emerging trends of the sector, sectoral vision, global and industry standards of excellence.
- d) The CPSE will upload the estimated figures of certain financial and physical attributes on the dashboard by 31st March of the base year i.e. the year previous to that of MoU target year. Similarly, by 31st March of the Base year, the Administrative Ministry/Department will upload on the dashboard, the details of sectoral vision plan covering at least 3 to 5 years with annual milestones so that the same can be taken into consideration at the time of benchmarking by IMC. Once the actual results of the base year are available, the figures of financial and physical attributes referred to above, will be updated by the CPSE on the dashboard by 30th October of the MoU target year. Accordingly, the benchmarked targets based on legacy data will stand updated automatically and the performance evaluation will be done against these updated targets.
- e) **MoU Evaluation:** As per timelines, CPSE will enter data from their audited balance sheet and P&L Statement on the dashboard through which the score would be automatically calculated against the benchmarked targets in each parameter. The benchmarks will be for 'Excellent' level. The CPSEs will be allotted marks proportionately based on achievement figures for each parameter. Score on all parameters would be added to arrive at aggregate Score.
- f) There would be no adjustment in MoU agreement due to changes in exchange rate, prices of raw material or finished goods or due to offset for any other reason as they are normal business activity and audited statement of accounts declared shall prevail.

g) The ranking of CPSEs will be based on their final MoU score. The number of ‘Excellent’ CPSEs will be limited to top 25 subject to the proviso that the CPSE has 90 or above score. However, if more than 25 CPSEs score 90 or above score, only the top 25 will be given the ‘Excellent’ rating. The MoU rating of CPSEs will be assigned as given in following table:

MoU Score	MoU Rating
Top 25 and Score \geq 90	Excellent
Score \geq 70	Very Good
Score \geq 50	Good
Score \geq 33	Fair
Score < 33	Poor

h) The year-wise figures for signed MoU and evaluation for CPSEs is tabulated below:

Item	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Total MoU Signed	214	215	231	196	165	144	124
Evaluation Report Submitted	200	191	198	186	156		

i) A comparison of the MoU ratings secured by the CPSEs during the last 6 years is as under:

Rating	Number of CPSEs under each rating over Years					
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Excellent	77	73	57	49	49	42
Very Good	41	53	58	54	42	38
Good	36	41	28	40	36	30
Fair	29	26	22	31	39	16
Poor	8	7	26	24	21	18
Total	191	200	191	198	187	144

6. Counselling Retraining & Redeployment (CRR) Scheme:

DPE is implementing Counselling, Retraining & Redeployment (CRR) Scheme as a social safety net to provide opportunities of self / wage employment to the employees or dependents of Central Public Sector Enterprises (CPSEs) separated under Voluntary Retirement Scheme (VRS) / Voluntary Separation Scheme (VSS). The aim of retraining of the employees is to reorient them through short duration skill training to enable them to adjust to the new environment and adopt new avocations after their separation from the CPSEs. Since the year 2001-02 to 2019-20, around 1.96 lakh VRS/VSS optees/dependents have been imparted training and around 90847 redeployed.

Till the year 2015-16, CRR Scheme was implemented by DPE. From the year 2016-17, CRR Scheme is being implemented in collaboration with National Skill Development Corporation (NSDC) under Ministry of Skill Development & Entrepreneurship (MSDE) with a view to broaden the network of Training Providers and also to follow standardized methodology of training, design and delivery.

CRR SCHEME – 2019-20 / 2020-21

Training programmes under CRR scheme of DPE are aligned as per National Council for Vocational Training (NCVT) certification and National Occupational Standard (NOS). Areas of skill training include sectors like Health Care, Electronics, Retail Associates, Automotive, Food processing, Plumbing, Handicrafts, Logistics, IT etc. This has enabled beneficiaries to get opportunity of gainful redeployment (Wage / Self-employment). However, no training programme under the CRR Scheme could be conducted till now for the FY 2020-21 and 2021-22 due to spread of COVID-19 pandemic. Further, the training completed in respect of 1021 candidates out of 1500 targeted candidates for the year 2019-20. However, assessment, certification and redeployment are still pending for these 1021 candidates due to lockdown restriction since March, 2020. DPE proposed to complete these pending training targets of 2019-20 by extending the MoU signed (for the year 2019-20) with training partners till FY 2021-22.

7. Autonomy to CPSEs

The endeavour of the Government is to make Central Public Sector Enterprises (CPSEs) autonomous board managed companies. Government has granted enhanced powers to the Boards of the profit making enterprises under various schemes like Maharatna, Navratna and Miniratna

by delegating powers in the areas of (i) capital expenditure, (ii) investment in joint ventures/subsidiaries, (iii) mergers & acquisitions, (iv) human resources management, etc. Presently there are 10 Maharatna CPSEs, 14 Navratna CPSEs and 73 Miniratna CPSEs (61 Category-I and 12 Category-II).

8. Corporate Governance & Professionalization of Board in CPSEs

Corporate Governance implies transparency of management systems and encompasses the entire mechanics of the functioning of the company by putting in place a system of checks and balances between the shareholders, directors, auditors and the management. Government approved introduction of Guidelines on Corporate Governance for all CPSEs on mandatory basis in March, 2010 covering issues like composition of Board of CPSEs, Audit Committee, Remuneration Committee, Subsidiary companies, Disclosures, Code of conduct and ethics, Risk management and reporting.

DPE has put in place a system of grading CPSEs on the basis of their compliance with Guidelines on Corporate Governance for CPSEs.

9. Non Official Directors (NODs) in CPSEs

Non official (independent) Directors are an essential part of the Boards of CPSEs and head important committees like the Audit Committee and Remuneration Committee. The exercise of enhanced autonomy and powers delegated under the Ratna schemes by the CPSEs is also contingent on the appointment of minimum prescribed number of NoDs on their Boards. The Companies Act, 2013 also has a number of provisions relating to Independent Directors. NoDs should comprise a minimum one-third of Board strength for unlisted and half for listed CPSEs.

Proposals for appointment of NODs are initiated by the Ministries concerned and considered by Search Committee comprising of Secretary (DOPT) as Chairman, Secretary (DPE), Secretary of concerned Ministry and 2 non-official Members. Based on Search Committee's recommendations, appointments are made by the concerned Ministries with approval of ACC/concurrence of DoPT.

10. Categorization of CPSEs

CPSEs are categorized into four schedules namely 'A', 'B', 'C' & 'D' based on criteria such as quantitative factors like investment, capital employed, net sales, profit before tax, number of employees and units, capacity addition, revenue per employee, sales/capital employed, capacity utilization, value added per employee and qualitative factors such as national importance, complexities of problems being faced by the company, level of technology, prospects for expansion and diversification of activities and competition from other sectors, etc.

The categorization of CPSE has implications on grant of Ratna status, pay scales of chief executives and full time functional Directors of CPSEs, highest level allowed for below board level posts, etc.

As on 31.3.2021, there are 66 Schedule 'A', 65 Schedule 'B', 44 Schedule 'C', and 5 Schedule 'D' CPSEs.

11. Corporate Social Responsibility (CSR)

As per Section 135 of Companies Act, 2013, all profit making companies, including CPSEs fulfilling threshold limits with regard to net worth of Rs. 500 crore or more, or turnover of Rs. 1000 crore or more or a net profit of Rs. 5 crore or more prescribed in the Act are mandated to spend 2% of the average net profit of the company made during the three immediately preceding years in pursuance of its CSR Policy for undertaking CSR activities as per items listed in Schedule-VII of the Act.

DPE has issued an advisory dated 10th December, 2018 to all administrative Ministries / Departments and CPSEs which inter-alia, provide adoption of a theme based approach for activities by CPSEs, to spend around 60% of annual CSR allocation for thematic programmes and give preference to the aspirational districts under their CSR. For the current Financial Year 2021-22, Health & Nutrition, with special focus on COVID related measures including setting up makeshift hospitals and temporary COVID Care Facilities has been taken as the theme for focused intervention.

As per available information in respect of 148 CPSEs, the 2% of average PBT for these 148 CPSEs for 2019-20 works out to be Rs. 3972.32 crore. Against this, the total CSR expenditure in 2019-20 by these 148 CPSEs is Rs. 5066.93 crore.

12. Rationalization of old/ obsolete BPE/DPE guidelines:

It has been DPE's constant endeavour to keep the guidelines current, relevant and up-to-date. Therefore, the guidelines have been rationalized after a review and 203 guidelines are contained in the latest Compendium entitled **"Guidelines for Administrative Ministries/Departments and Public Sector Enterprises, 2018"**.

Besides, 40 guidelines have been merged and 430 have been archived. A list of these merged and archived guidelines has also been published in the compendium and available on the website of Department of Public Enterprises.