

### **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)**

**Turing selected public sector units into global giants—monitoring of performance towards globalization effort.**

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 already issued guidelines for restructuring of the Boards of nine identified public sector enterprises and grant of autonomy on various issues, vide two OM's of even number dated the 22nd July, 1997.

2. With the grant of autonomy and the measures taken for restructuring of the PSE Boards, it is necessary that monitoring of the performance of these PSEs is done with utmost seriousness. In this regard, the Government feel that the monitoring of the performance of the enterprises should be done primarily by their own Boards. The administrative Ministry should also continue to monitor the performance. The performance assessments should be carried out preferably on a quarterly basis, by a team consisting of the Secretary of the administrative Ministry, the Chief Executives of the PSE concern and one more outside expert.

3. At the apex level, however, a Committee of Secretaries headed by the Cabinet Secretary has been set up as a forum for inter-Ministerial discussions and continuous overview of the globalisation effort. This Committee would include Member Secretary, Planning Commission, Finance Secretary or Secretary (Expenditure), Ministry of Finance, the Secretary of the administrative Ministry concern and the Secretary, Department of Public Enterprises. The Secretary, Department of Public Enterprises is the Convener.

4. The formulation of specific vision statements, micro-level strategies and implementation of various measures have to be done by the PSEs. The selected nine enterprises should complete their vision statement and draw up the outline of the strategy and present the proposals to the Department of Public Enterprises for submission to the Committee of Secretaries at the earliest, but not later than 90 days after the date of issue of this OM. This would be a dynamic exercise subject to modifications, but a basic picture and vision must emerge at the earliest. Periodic monitoring, specifically in the context of globalization vision, targets and strategies would be done by the Committee of Secretaries.

5. The above monitoring mechanism may please be brought to the notice of the Navratna enterprises under your administrative control.

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

**Selected PSEs into global giants—Restructuring of the Boards—setting up of a Search Committee for selection of non-official part-time Directors.**

The Common Minimum Programme of the government states, inter-alia, that the Government will identify public sector companies that have comparative advantages and support them in their drive to become global giants. As part of the exercise, the Government has given priority for restructuring of the public sector Boards through induction of professionals and experts in relevant field as non-official part-time Directors.

2. In pursuance of the above decision, the Government has set up a Search Committee to recommend to the Administrative Ministry concerned the panel of non-official part-time Directors who could be considered for induction in respective enterprises. The Search Committee comprises the following:—

(i) Chairman, Public Enterprises Selection Board

(ii) Secretary of the Administrative Ministry concern

(iii) Secretary, Department of Public Enterprises.

3. The final selection based on the recommendations of this Search Committee shall be made by the Administrative Ministry. There shall be no separate requirement for any specific clearances for vigilance for non-official part-time Directors, and the stipulation of the Companies Act regarding qualifications/disqualifications for Directors as applicable to public limited companies would apply in these cases also.

4. The Search Committee shall mainly be concerned with the selection on the non-official part-time directors of the Navratna Companies, namely, Bharat Heavy Electricals Ltd., Bharat Petroleum Corporation Ltd., Hindustan Petroleum Corporation Ltd., Indian Oil Corporation Ltd., Indian Petro-Chemicals Corporation Ltd., National thermal Power Corporation Ltd., Oil & Natural Gas Corporation Ltd., Steel Authority of India Ltd., and Videsh Sanchar Nigam Ltd. However, the Search Committee may also consider taking up other important enterprises under its purview for recommending the non-official part-time Directors.

5. The above may please be brought to the notice of the public enterprises under the administrative control of different Ministries/ Departments.

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

### **Turning selected Public Sector Enterprises into global giants—Navratnas**

The Government has, vide DPE OM No.DPE/11(2)/97-Fin. Dated the 22nd July, 1997, granted enhanced autonomy and delegation of powers to selected public sector enterprises (Navratnas), which include, inter-alia, the decision making authority to incur expenditure on purchase of new items 'or for replacement, without any monetary ceiling.

2. A confirmation has been sought by some Navratnas that in view of this delegation of authority, they are no longer required to obtain Government approval, including that from the PIB for setting up new projects or for expansion and that they can do so and incur the necessary capital expenditure within the enhanced delegation of powers.

3. This is to clarify that the above mentioned powers in para 2 (i) regarding incurring of capital, expenditure gives full authority to the Boards of the Navratnas, subject to the guidelines mentioned in the OM under reference, and that it is not necessary for them to obtain Government approval, including PIB approval for the above purpose including for setting up of new projects or expansion. This, however, does not cover environmental or similar other clearances, required statutorily or under specific instructions.

4. The OM No.DPE/16/22/90-Fin. Dated 6.5.97 of this Department on the subject also stands modified accordingly.

**(DPE O.M. No. DPE/11(2)/97-Fin. dated 26th September, 1997)**

## **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 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.

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)**

### **Financial and operational autonomy for profit making enterprises (Miniratnas)—Monitoring of performance.**

In pursuance of the policy objective to make the public sector more efficient and competitive, the Government have already issued guidelines for grant of enhanced autonomy on various issues to eligible profit making public enterprises and for restructuring of their Board vide two OMs of even number dated 9.10.97.

2. The monitoring of the performance of these PSEs would be done primarily by their own Boards. The Administrative Ministry should also continue to monitor the performance. This performance assessment should be carried out on a quarterly basis, by a team consisting of the Secretary of the administrative Ministry, the CEO of the PSE and one or more outside experts. In this monitoring, special attention must be paid to the areas of technology and to R&D. The PSEs should themselves pay special attention to the assessment of their own technology status, to acquiring and assimilating technologies necessary to make them competitive, and to their own R&D efforts to maintain a sustained strength in the technological field. They should set up a Board level Committee for this purpose.

3. At the apex level, a group consisting of the Secretary (Public Enterprises), Secretary (Expenditure), Secretary (Planning Commission) and the Administrative Secretary (or their representatives not below the level of Joint Secretary) shall function as the forum for inter-Ministerial discussions and continuous overview of the performance of the PSE. This group will take note of the strategic planning and targets of the PSEs and would review their performance periodically. The objective of this group would also be to provide a pro-active and positive support to PSEs in their performance improvement.

4. These enterprises may continue to enter into Memoranda of Understanding with the Administrative Ministries in which targets relating to various activities and performance parameters would be laid down. It should be ensured that meaningful and challenging performance targets are fixed and this should be done by a team consisting of nominees of the administrative Ministry, DPE and outside expert (s).

5. The above review and monitoring mechanism may please be brought to the notice of the enterprises under your administrative control and made operative with immediate effect.

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



**Inclusion of MTNL and GAIL in the list of Navratnas**

The Government of India had granted enhanced financial and operational autonomy to 9 selected PSEs to help them become global giants. Guidelines to this effect were issued vide DPE OM No. DPE/11(2)/97-Fin. Dated 26.9.97 (copy enclosed) (4 separate guidelines copies enclosed). Another clarification regarding requirement of PIB approvals etc. by these Navratna enterprises was issued vide DPE OM No. DPE/11(2)/97-Fin. Dated 26.9.97 (copy enclosed)

2. Government have now decided to accord Navratna status to Mahanagar Telephone Nigam Limited (MTNL) and Gas Authority of India Limited (GAIL) also. Accordingly, both these PSEs would be eligible for the enhanced financial and operational autonomy, mentioned in the guidelines referred to above, subject to the stipulated conditions and procedures, including for monitoring and appointment of non-official Directors.

3. The above decision of the Government may please be brought to the notice of both MTNL and GAIL.

**(DPE O.M. No. DPE/11(2)/97-Fin. dated 11th November, 1997)**

## Delegation of financial powers to Mini Ratna Enterprises

The detailed guidelines on delegation of financial powers to Mini Ratna Enterprises were issued vide DPE's OM of even number dated the 9th October, 1997. Since the issue of these guidelines, some queries have been raised by the PSUs and the Administrative Ministries seeking clarifications on certain points on delegation of financial powers and restructuring of Boards of Mini Ratna enterprises etc.

These issues raised have been examined in detail. The gist of the points raised by the PSUs/Administrative Ministries and the clarifications thereto as under: -

Sl. No.	Issues raised by Administrative Ministries	Response of DPE
1.	Whether any financial assistance or budgetary support can be extended by the Govt. to Mini Ratna PSUs in any form like grants-in-aids, soft loans etc.	Yes, but once budgetary support is taken, they will no longer remain eligible for the Mini-Ratna status.
2.	Whether the restriction of Govt. guarantees applies to issue of fresh Govt. guarantees or applies to extension of existing Govt. guarantees also	This would apply to both.
3.	Whether the company should be declared as Mini Ratnas in the first instance or parallel action could be taken for appointment of non-official Directors	It can be declared as Mini Ratnas based on the eligibility criteria, and the action regarding the appointment of non-official Directors can be taken separately.
4.	Whether the financial limits of capital expenditure as per DPE guidelines on Mini Ratnas are the limits for one project or for one year.	The financial limits of capital expenditure are project/activity related.
5.	As per DPE guidelines the proposal on capital expenditure/investment should be prepared by or with the assistance of professionals and experts. Whether PSUs are free to select the experts or some panel is maintained or certain guidelines are to be issued by the Govt.	The Public Enterprises are free to select the professionals and other experts, as per their requirements.

	in this regard.	
6.	Whether the existing system of ad-hoc Task Force (ATF) for performance evaluation in MOU would continue for monitoring of performance.	Yes
7.	Whether the instructions issued by DPE regarding appointment of non-official part time Directors, who are professional experts of repute are mandatory or optional.	The instructions regarding appointment of non-official part time Directors are mandatory for Mini Ratna enterprises.
8.	Whether after the PSUs have been identified as Mini ratnas or category one or two and non-official Directors have been appointed any formal notification shall be issued by DPE according Mini ratna status to these PSUs.	No
9.	Whether the categorization of the PSU should be vetted by DPE	No, DPE should only be informed.
10.	Whether the Public Enterprises which do not declare dividend in accordance with guidelines issued by Ministry of finance should be categorized as Mini Ratnas, as they also indirectly depend upon government support through withholding dividend etc.	Dividend is not an eligibility criteria for Mini Ratnas

All the Administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of the Public Enterprises under their administrative control for their information and necessary action.

**(DPE O.M. No. DPE/11(36)/97-Fin. dated 17th February, 1998)**

**Amendment in the Articles of Association of Mini-Ratna companies—Approval of DPE.**

Reference is invited to the Department of Public Enterprises' OM No.11/36/97-Fin. Dated 9.10.97 giving financial and operational autonomy for profit making public sector enterprises categorized as Mini-Ratna.

2. Para 4 of the said OM mentioned "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." This Department has been receiving proposal for amendment of Articles of Association/Memorandum of Association etc. for its vetting/approval. It is clarified once again that such amendments are to be carried out by the PSUs in consultation with the administrative Ministry, without referring it to the Department of Public Enterprises, and after complying with the provisions of the Companies Act.

**(DPE O.M. No. DPE/13(26)/98-Fin.G.II dated 27th November, 1998)**

**Financial and operational autonomy for profit making enterprises (Mini-Ratnas)—Monitoring of performance.**

The undersigned is directed to refer to this Department Office Memorandum of even number dated 9th October, 1997 on the above mentioned subject and to state that vide para 3 of the said OM, it was informed to the administrative Ministries/departments about the Govt. decision to constitute a Group consisting of the Secretary, Public Enterprises; Secretary, Expenditure; Secretary, Planning Commission and Administrative Secretary (or their representatives not below the level of Joint Secretary) to function as a forum for Inter-Ministerial discussion and continuous overview of the performance of the PSEs categories as Mini-Ratnas. This Group would take note of the strategic planning and targets of the PSEs and would review their performance periodically.

In pursuance of the above decision, it is requested that as soon as the Boards of the Mini-Ratnas Enterprises under the administrative charge of the Ministries/ Departments are restructured and non-official part time professional Directors are appointed, the Department of Public Enterprises may be informed of the same so that the Group of Secretaries or their representatives at Joint Secretary level as mentioned above, may be constituted for monitoring the performance of such enterprises.

**(DPE O.M. No. DPE/11/36/97-Fin. (Mini) G.III dated 2nd December, 1998)**

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**Laying down guidelines and parameters for the Board of Directors of Navratna PSUs to enter into technology joint venture and strategic alliances.**

This is in continuation of DPE O.M. No. 11(2)/97-Fin. dated 22.7.97 granting financial and operational autonomy to Navratna PSUs, wherein exercise of authority to enter into technology joint venture and strategic alliances were exercised in accordance with the Government guidelines. These guidelines are:-

- (i) The selection of the partner for technology joint venture or strategic alliances and its processes etc. should be transparent. All such proposals must be presented to the Board of Directors in writing and should contain evaluation in terms of commercial expediency, techno economic parameters, quantification of the likely benefits and risk factors, if any.
- (ii) The proposal should be examined and appraised by the Board of Directors when the Finance Director concerned functional Director(s) and at least two non-official part time Directors are present in the meeting.
- (iii) The rationale for approving or rejecting the proposal must be recorded in writing giving full justification.
- (iv) In the event of the decision on such proposals, not being unanimous, the objections, dissents, the reasons for over-ruling them and those for taking the decision should be recorded in writing and minuted.
- (v) The policy and procedures of authorities like RBI, Foreign Investment Promotion Board (FIPB), Environment, etc., as laid down from time to time to be complied with.
- (vi) It must be ensured that the proposal should not be entirely to the benefit of the MNC(s) to enter into the Indian market.
- (vii) All the proposals involving investment over and above delegated powers, shall be submitted for approval of CCEA.
- (viii) The Board shall ensure that adequate representation is given to the company in the management and operation of its joint venture/strategic alliance. The extent of representation should be in proportion to their contribution.
- (ix) Joint ventures may be formed with such companies/MNC(s) where there is synergy between production/business line of the two partners and where both stand to gain, especially the Indian partner.
- (x) A comprehensive list of joint ventures formed and status thereof be submitted to DPE on half yearly basis. The yearly status on the progress and performance of the joint ventures formed would be submitted by DPE to the Committee of Secretaries.

**(DPE OM No. 11(32)/96-Fin. dated 17th January, 2000)**

### **Review of the performance of Navratna and Miniratna enterprises—grant/divestment of status thereof.**

In pursuance of the recommendations of the Parliamentary Standing Committee on Industry, the issue of performance of Navratna and Miniratna Central Public Sector Undertakings vis-à-vis divestment of their status or the need to grant the Navratna/Miniratna status to the new enterprises, as the case may be, were engaging the attention of the Government.

2. Consequently, the matter has been reviewed by the Government. It has now been decided that henceforth the review of performance of the Navratna and Miniratna enterprises and divestment of their status or grant of Navratna or Miniratna status, as the case may be, would be decided in the following manner.

(i) Apex Committee, headed by the Cabinet Secretary in the case of Navratna enterprises and Inter-Ministerial Committee headed by the Secretary, Department of Public Enterprises in the cas of Miniratna enterprises would regularly review the performance of such companies.

(ii) A comprehensive review would be undertaken every three years by the above mentioned respective committees with regard to maintenance of the Navratna/Miniratna status. The Apex Committee would lay down the format for such a review.

(iii) The Apex committee would also review the operations of Navratna/ Miniratna schemes every three years and would make recommendations in regard to further delegation of autonomy to these enterprises.

(iv) The recommendations of the Apex committee, if any, for divestment of the Navratna status would be put up to the Minister (Heavy Industries and Public Enterprises) for approval through the Minister in-charge of the administrative Ministry concerned. In case of any disagreement, the matter would be put up to the Cabinet.

(v) The recommendations of the divestment of Miniratna status would be dealt with by concerned administrative Ministry only.

(vi) Recommendations for accordance of Navratna status to a CPSU would ordinarily not be placed before the Cabinet. Based on the recommendations of the Apex Committee these would be placed before the Minister for Heavy Industries and Public Enterprises for taking a final decision. But as in (iv) above, in case of disagreement, the matter would be put up to the Cabinet.

3. The administrative Ministries/Departments may please note the content of the above Government decisions and suitably bring this to the notice of the enterprises under their administrative control.

**(DPE OM No. DPE/4(8)/2000-Fin.GL-XXXXIX dated 11th June, 2001)**

### **Merger and Acquisition decision by the Central PSUs.**

In pursuance of the policy objective to make the public sector more efficient and competitive, Government have announced its decisions to grant autonomy and delegated powers from time to time on various issues for application in the Central PSUs in general and also specific delegated powers to the Navratna and Mini-Ratnas.

2. It is however, clarified that the delegated powers would not include the power to decide about merger and acquisition. The Central Government public enterprises must therefore take prior approval of the Government in regard to merger with and/or acquisition of any other business entities or major business activities and should not take decision at their own. This would be applicable to all the Central PSUs irrespective of their financial status or grant of Navratna/Miniratna status etc. Decisions on merger and/or acquisitions should not be interpreted as though such powers are within the autonomy given to the Navratnas/Miniratnas under the guidelines issued by the Govt.

3. Similarly, it is also clarified that the Navratna and Miniratna enterprises must follow the procedures detailed in the Government guidelines for investment of surplus funds as detailed in DPE OM Nos.DPE/4(6)/94-Fin. dated 14.12.94 and 1.11.95. There is no separate dispensation available to any of the public enterprises in this regard (other than the PSEs in financial sector about which separate guidelines were issued, vide OM No. DPE/4(6)/94-Fin. dated 2.7.96) and these guidelines on investment of surplus funds are applicable to all the Central PSEs including the Navratna and Miniratna CPSEs.

4. Administrative Ministries may please bring the contents of the Govt. decisions to the notice of the Central PSUs under their administrative control.

**(DPE OM No. 3(2)/2003-DPE(Fin.)/GL.XVI dated 11th February, 2003)**



**Empowerment of Central Public Sector Enterprises (CPSEs)—enhancement of delegated powers of Navratna PSEs.**

The undersigned is directed to refer to this Department OM No. DPE/11(2)/97-Fin. dated 22nd July, 1997 regarding turning selected public sector enterprises into global giants, wherein various powers were delegated to PSEs that have comparative advantages and capacity to become global giants, presently known as Navratnas.

2. Keeping in view the pledge made in the National Common Minimum Programme (NCMP) that full managerial and commercial autonomy will be devolved to successful profit making companies operating in a competitive environment, the Government have reviewed the powers presently delegated to the Board of Directors of Navratna PSEs and have decided to enhance the powers in the manner stated below:

(i) The ceiling on equity investment to establish financial joint ventures and wholly owned subsidiaries in India or abroad shall be 15% of the networth of the PSE in one project limited to Rs. 1000 crore. The overall ceiling on such investment in all projects put together shall be 30% of the networth of the PSE.

(ii) The Board of Directors of these PSEs shall have the powers for mergers and acquisitions, subject to the conditions that (i) it should be as per the growth plan and in the core area of functioning of the PSE, (ii) conditions/limits would be as in the case of establishing joint ventures/subsidiaries, and (iii) the Cabinet Committee on Economic Affairs (CCEA) would be kept informed in case of investments abroad. This is in partial modification of DPE OM No. 3(2)/2003-DPE(Fin.)GL XVI dated 11.2.2003.

(iii) The Board of Directors of these PSEs shall have the power to further delegate the powers relating to Human Resource Management (appointments, transfer, posting, etc.) of below Board level executives to sub-committees of the Board or to executives of the PSE, as may be decided by the Board of the PSE.

(iv) The Chief Executive of the PSE shall have the power to approve business tours abroad of functional directors up to 5 days' duration (other than study tours, seminars, etc.) in emergency, under intimation to the Secretary of the administrative Ministry. In all other cases including those of Chief Executive, tours abroad would continue to require the prior approval of the Minister of the Administrative Ministry/ Department.

3. The Navratna status is presently subject to the condition that these PSEs shall not depend up on budgetary support or Government guarantees. Wherever Government guarantee is required under the standard stipulations of external donor agencies, the same may be obtained from the Ministry of Finance through the administrative Ministry. Such Government guarantee shall not affect the Navratna status.

4. Other powers delegated under the DPE OM referred to in para. 1 above remain unchanged. The conditions and guidelines laid down in the said OM also remain unchanged and should be adhered to strictly.

5. The administrative Ministries/Departments concerned may bring the contents of this OM to the notice of these enterprises.

**(DPE O.M. No. 18(24)/2003-GM- GL.64 dated 5th August, 2005)**

## **Empowerment of Central Public Sector Enterprises (CPSEs)—enhancement of delegated powers of Miniratna PSEs.**

The undersigned is directed to refer to this Department OM No. DPE/11(36)/97-Fin. dated 9th October, 1997 regarding Financial and operational autonomy for profit making public sector enterprises, wherein various powers were delegated to Miniratna PSEs.

2. Keeping in view the pledge made in the National Common Minimum Programme (NCMP) that full managerial and commercial autonomy will be devolved to successful profit making companies operating in a competitive environment, the Government have reviewed the powers presently delegated to the Board of Directors of Miniratna PSEs and have decided to enhance the powers in the manner stated below:

### **(i) Capital Expenditure**

(a) For PSEs in category I: The power to incur capital expenditure on new projects, modernization, purchase of equipment, etc., without Government approval stands revised to Rs. 500 crore or equal to Net worth, whichever is less.

(b) For PSEs in category II: The power to incur capital expenditure on new projects, modernization, purchase of equipment, etc., without Government approval stands revised to Rs. 250 crore or equal to 50% of the Net worth, whichever is less.

### **(ii) Joint ventures and subsidiaries:**

(a) Category I PSEs: The ceiling on equity investment to establish joint ventures and subsidiaries in India shall be 15% of the networth of the PSE in one project limited to Rs. 500 crore. The overall ceiling on such investment in all projects put together shall be 30% of the networth of the PSE.

(b) Category II PSEs: The ceiling on equity investment to establish joint ventures and subsidiaries in India shall be 15% of the networth of the PSE in one project limited to Rs. 250 crore. The overall ceiling on such investment in all projects put together shall be 30% of the networth of the PSE.

**(iii)** The Board of Directors of these PSEs shall have the powers for mergers and acquisitions, subject to the conditions that (i) it should be as per the growth plan and in the core area of functioning of the PSE, (ii) conditions/limits would be as in the case of establishing joint ventures/subsidiaries, and (iii) the Cabinet Committee on Economic Affairs (CCEA) would be kept informed in case of investments abroad. This is in partial modification of DPE OM No. 3(2)/2003-DPE(Fin.)GL XVI dated 11.2.2003.

**(iv)** The Board of Directors of these PSEs shall have the power to further delegate the powers relating to Human Resource Management (appointments, transfer, posting, etc.) of below Board level executives to sub-committees of the Board or to executives of the PSE, as may be decided by the Board of the PSE.

**(v)** The Chief Executive of the PSE shall have the power to approve business tours abroad of functional directors up to 5 days' duration (other than study tours, seminars, etc.) in emergency, under intimation to the Secretary of the administrative Ministry. In all other cases including those of Chief Executive, tours abroad would continue to require the prior approval of the Minister of the Administrative Ministry/ Department.

3. The Miniratna status is presently subject to the condition that these PSEs shall not depend up on budgetary support or Government guarantees. Wherever Government guarantee is required under the standard stipulations of external donor agencies, the same may be obtained from the Ministry of Finance through the administrative Ministry. Such Government guarantee shall not affect the Miniratna status.

4. Other powers delegated under the DPE OM referred to in para.1 above remain unchanged. The conditions and guidelines laid down in the said OM also remain unchanged and should be adhered to strictly.

5. The administrative Ministries/Departments concerned may bring the contents of this OM to the notice of the enterprises.

**(DPE O.M. No. 18(24)/2003-GM-GL. 65 dated 5th August, 2005)**

**Empowerment of Central Public Sector Enterprises (CPSEs)- enhancement of delegated powers of other profit making PSEs.**

The undersigned is directed to refer to this Department OM No. DPE/16(22)/90-Fin. dated 6th May, 1997 and 8th October, 1998 regarding delegation of powers to Board of Directors of PSEs to incur capital expenditure.

2. Keeping in view the pledge made in the National Common Minimum Programme (NCMP) that full managerial and commercial autonomy will be devolved to successful profit making companies operating in a competitive environment, the Government have reviewed the powers presently delegated to the Board of Directors of other profit making PSEs and have decided to enhance the powers in the manner stated below:

(i) The power to incur capital expenditure without Government approval stands revised to Rs. 150 crore or equal to 50% of the Net worth, whichever is less.

(ii) The Chief Executive of the PSE shall have the power to approve business tours abroad of functional directors up to 5 days' duration (other than study tours, seminars, etc.) in emergency, under intimation to the Secretary of the administrative Ministry. In all other cases including those of Chief Executive, tours abroad would continue to require the prior approval of the Minister of the Administrative Ministry/ Department.

3. The conditions and guidelines laid down in the OMs referred to in para.1 above shall remain unchanged.

4. The administrative Ministries/Departments concerned may bring the contents of this OM to the notice of the enterprises.

**(DPE OM No. 18(24)/2003-GM - GL.66 dated, the 5th August, 2005)**

**Review of the performance of Navratna and Miniratna enterprises—grant/ divestment of status thereof.**

The undersigned is directed to refer to this Department OM No. DPE/4(8)/2000-Fin. GL-XXXXIX dated 11.6.2001 on the subject mentioned above wherein it was inter-alia decided that a comprehensive review would be undertaken by the Apex Committee with regard to maintenance of Navratna status.

2. In order to periodically review and recommend for expeditious conferment/ divestment of Navratna status on/of CPSEs, it has been decided to constitute a committee consisting of Secretary (DPE), Secretary (Planning Commission), Secretary (Expenditure) and Secretary of the administrative Ministry concerned with Secretary (DPE) as its convenor. This committee will assist the Apex Committee in faster decision-making.

**(DPE O.M. No. 18(24)/2003-GM- GL.67 dated 12th August, 2005)**

**Recommendations of the Ad-hoc Group of Experts on empowerment of Central Public Sector Enterprises (CPSEs) – Creation/Disinvestment of subsidiaries by the Navratna and Miniratna Companies**

National Common Minimum Programme (NCMP) of the Government pledges to devolve full managerial and commercial autonomy to successful, profit-making companies operating in a competitive environment. In pursuance of this, the Ministry of Heavy Industries and Public Enterprises, in November 2004, constituted an Ad-hoc Group of Experts (AGE) under the Chairmanship of Dr. Arjun Sengupta to consider issues like grant of autonomy, greater delegation of financial powers, etc. to CPSEs. The recommendations of AGE have been considered by the Government in two stages. In the first stage, the recommendations relating to enhancement of powers of Navratna, Miniratna and other profit making CPSEs were considered by the Government and guidelines were issued on 5.8.2005.

2. After careful consideration of the remaining recommendations of AGE, the Government has decided to empower the holding companies to transfer assets, float fresh equity and divest shareholding in subsidiaries subject to the condition that the delegation will be in respect of **subsidiaries set up by the holding company under the powers delegated** to the Navratna and Miniratna CPSEs and further to the proviso that:

(a) the **public sector character of the concerned CPSE (including subsidiary) would not be changed** without prior approval of the Government, and

(b) such Navratna and Miniratna CPSEs will be required to **seek Government approval before exiting** from their subsidiaries.

3. All the administrative Ministries and Departments are requested to take note of the above decision and to advise the CPSEs under their administrative control suitably in the matter.

**(DPE OM No. 18(16)/2005-GM-GL-82 dated 23rd May, 2007)**

**Recommendations of the Ad-hoc Group of Experts on empowerment of Central Public Sector Enterprises (CPSEs) – Mergers and Acquisitions by the Navratna and Miniratna CPSEs**

The undersigned is directed to refer to this Department's Office Memorandum No. 3(2)/2003-DPE(Fin.)/GL.XVI dated 11.2.2003 wherein it had been clarified that the powers delegated to the Navratna and Miniratna CPSEs do not include the power to decide about merger and acquisition and all CPSEs must take prior approval of the Government in regard to merger with and/or acquisition of any other business entities or major business activities. The Government had thereafter reviewed the powers delegated to Navratna and Miniratna CPSEs and decided that the Boards of Navratna and Miniratna CPSEs shall have the powers for mergers and acquisitions subject to certain conditions laid down in DPE O.M. No. 18(24)/2003-GM-GL-64 dated 5.8.2005 and 18(24)/2003-GM-GL-65 dated 5.8.2005 respectively.

2. Issuance of fresh shares under a scheme of amalgamation by such CPSEs may result in further dilution in Government of India share holding and in certain cases, it may result in changing their public sector character. The Government has, therefore, considered this issue and decided that the powers relating to Mergers and Acquisitions delegated to Navratna and Miniratna CPSEs vide Office Memoranda mentioned in Para 1 above should be exercised in such a manner that it should not lead to any change in the public sector character of the concerned CPSEs.

3. All the administrative Ministries/Departments are requested to take note of the above decision and to advise the CPSEs under their administrative control suitably in the matter.

**(DPE OM No. 18(16)/2005-GM-GL-83 Dated the 28th May, 2007)**

**Recommendations of the Ad-hoc Group of Experts on empowerment of Central Public Sector Enterprises (CPSEs) – Modification of the composition of Search Committee for selection of non-official part-time Directors on the Boards of Navratna and Miniratna CPSEs – Ordered.**

The undersigned is directed to refer to this Department's Office Memoranda No. DPE/11(2)/97-Fin. dated 22.7.1997 and DPE/11/36/97-Fin. dated 9.10.1997 in the subject wherein it had been mentioned that a Search Committee comprising of Chairman, Public Enterprises Selection Board; Secretary, Department of Public Enterprises; Secretary of the concerned Administrative Ministry/Department and eminent person(s) to be nominated by the Industry Minister would select non-official part-time Directors for appointment on the Boards of Navratna and Miniratna CPSEs.

2. The Government has now decided to modify the said O.M. and decided that the Chief Executive of the CPSE concerned will also be a member of the Search Committee for selecting Independent Directors on the Board of Directors of the concerned Navratna and Miniratna CPSE.

3. The above decision of the Government may be brought to the notice of CPSEs concerned.

**(DEP OM No. 18(16)/2005-GM-GL-85 Dated the 29th May, 2007)**

**Recommendations of the Ad-hoc Group of Experts on empowerment of Central Public Sector Enterprises (CPSEs) – Clarification on Budgetary Support to Navratna and Miniratna CPSEs – Issued.**

The undersigned is directed to refer to this Department's Office Memoranda No. DPE/11(2)/97-Fin. dated 22.7.1997 and DPE/11/36/97-Fin. dated 9.10.1997 wherein it had been mentioned that Navratna and Miniratna CPSEs shall not depend on budgetary support.

2. The Government has since reviewed the above position and it has now been decided to clarify that the Budgetary support to implement Government sponsored projects of national interest and Government sponsored Research & Development projects will not disqualify CPSEs from retaining their Navratna and Miniratna status. However, for such projects, investment decisions will be taken by the Government and not by the CPSE concerned.

3. All the administrative Ministries/Departments are requested to take note of the above decision and advise the CPSEs under their administrative control suitably in the matter.

**(DPE OM No. 18(16)/2005-GM-GL-84 Dated the 28th May, 2007)**



No. 22(1)/2009-GM  
Government of India  
Ministry of Heavy Industries and Public Enterprises  
Department of Public Enterprises

Block No. 14, CGO Complex,  
Lodi Road, New Delhi - 10003  
Dated the 4<sup>th</sup> February, 2010

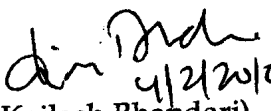
**OFFICE MEMORANDUM**

Subject: Introduction of "Maharatna" Scheme for Central Public Sector Enterprises (CPSEs)

The undersigned is directed to state that the Government has decided to introduce "Maharatna" Scheme in order to empower mega CPSEs to expand their operations and emerge as global giants.

2. The salient features of the scheme outlining the eligibility and procedure for grant/divestment of "Maharatna" status, delegation of powers to "Maharatna" CPSEs as well as review of their performance is enclosed.

3. The concerned Administrative Ministries/Departments are requested to take note of the above decision of the Government.

  
(Kailash Bhandari)  
Assistant Director  
Tel : 2436-6247

Encl : As stated above

To Secretaries of all administrative Ministries/Departments

## **Guidelines on Maharatna Scheme for Central Public Sector Enterprises (CPSEs)**

### **1. Objective**

The objective of the Maharatna Scheme is to delegate enhanced powers to the Boards of identified large sized Navratna CPSEs so as to facilitate expansion of their operations, both in domestic as well as global markets.

### **2. Eligibility criteria for grant of Maharatna status**

The CPSEs fulfilling the following criteria are eligible to be considered for grant of Maharatna status:-

- a) Having Navratna status
- b) Listed on Indian stock exchange, with minimum prescribed public shareholding under SEBI regulations
- c) An average annual turnover during the last 3 years of more than Rs.25,000 crore
- d) An average annual net worth during the last 3 years of more than Rs.15,000 crore
- e) An average annual net profit after tax during the last 3 years of more than Rs.5,000 crore
- f) Significant global presence or international operations.

### **3. Procedure for grant of Maharatna status**

3.1 The procedure for grant of Maharatna status is similar to that for the grant of Navratna status. Accordingly, the proposal(s) for grant of Maharatna status should be initiated by the concerned Administrative Ministries/Departments (after approval of their Financial Advisers and Ministers-in-charge) to the Department of Public Enterprises (DPE). DPE would process the proposal(s) for consideration of the Inter-Ministerial Committee (IMC). The composition of the IMC is as under:

- |  |          |
|--|----------|
| (i) Secretary, Department of Public Enterprises                        | Chairman |
| (ii) Secretary, Department of Expenditure                              | Member   |
| (iii) Secretary, Planning Commission                                   | Member   |
| (iv) Secretary of the concerned Administrative Ministry/<br>Department | Member   |

3.2 After the consideration by the IMC, the proposal would be processed for consideration of the Apex Committee headed by the Cabinet Secretary. The composition of the Apex Committee is as under:

(i) Cabinet Secretary	Chairman
(ii) Secretary, Department of Public Enterprises	Member-Secretary
(iii) Secretary, Department of Expenditure	Member
(iv) Secretary, Planning Commission	Member
(v) Secretary of the concerned Administrative Ministry/ Department	Member

3.3 The recommendations of the Apex Committee for grant of Maharatna status would be placed before the Minister (HI&PE) for a decision.

#### 4. Delegation of powers to Maharatna CPSEs

4.1 The boards of Maharatna CPSEs have been delegated the following powers.

- (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/abroad, creating new activity centers, etc.
- (v) To create below board level posts upto E-9 level and to wind up all below board level posts. The Boards of Directors will have powers to make all appointments, effect internal transfers and re-designation of all below board level posts.
- (vi) To structure and implement schemes relating to personnel and human resource management and training.
- (vii) To raise debt from the domestic capital markets and from international market, the latter being subject to the approval of RBI/Department of Economic Affairs, as may be required, and should be obtained through the administrative Ministry.
- (viii) To make equity investment to establish financial joint ventures and wholly owned subsidiaries and undertake mergers & acquisitions, in India or abroad, subject to a ceiling of 15% of the net worth of the concerned CPSE, limited to Rs.5,000 crore in one project. The overall ceiling on such investments in all projects put together will not exceed 30% of the net worth of the concerned CPSE. While normally the investment would be done

directly by the parent CPSE, in cases where it proposes to invest through a subsidiary into another joint venture, and also provide the additional capital for this purpose, the above stipulations would be in the context of the parent company.

- (ix) The Board of Directors shall have the powers for mergers and acquisitions, subject to the conditions that (a) it should be as per the growth plan and in the core area of functioning of the CPSE and (b) the Cabinet Committee on Economic Affairs (CCEA) would be kept informed in case of investments abroad. Further, the powers relating to Mergers and Acquisitions should be exercised in such a manner that it should not lead to any change in the public sector character of the concerned CPSEs.
- (x) CMD is empowered to approve business tours abroad of functional Directors upto 5 days duration (other than study tours, seminars, etc.) in emergency, under intimation to the Secretary of the administrative Ministry.
- (xi) Holding companies are empowered to transfer assets, float fresh equity and divest shareholding in subsidiaries subject to the condition that the delegation will only be in respect of subsidiaries set up by the holding company under the powers delegated to Navratna/Maharatna CPSEs and further to the proviso that:
  - a. the public sector character of the concerned CPSE (including subsidiary) would not be changed without prior approval of the Government, and
  - b. such Maharatna CPSEs will be required to seek Government approval before exiting from their subsidiaries.

4.2 The exercise of Maharatna powers would be subject to the same conditions and guidelines as laid down by the Government in respect of Navratna CPSEs from time to time. These conditions and guidelines as they stand on date are as under.

- a) The Boards of these CPSEs should be restructured by inducting requisite number of non-official Directors as per SEBI guidelines, subject to a minimum of four.
- b) All the proposals, whether they pertain to capital expenditure, investment or other matters involving substantial financial or managerial commitments or where they are likely to have a long term impact on the structure and functioning of the CPSE, 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 area. The financial appraisal should also preferably be backed by an involvement of the appraising institution through loans or equity participation.
- c) 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.

- d) All the Government Director(s), the Financial 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 and exercise of Navratna/Maharatna powers.
- e) The decisions on proposals listed in para above should preferably be unanimous. In the event of any decision on such matters not being unanimous, a majority decision may be taken, but at least two thirds of the Directors should be present. In addition, all the Government Director(s), the Financial Director and the concerned Functional Director (s) should invariably be present when such decisions are taken. The objections, dissents, the reasons for over-ruling them and those for taking the decision should be recorded in writing and minuted.
- f) No financial support or contingent liability on the part of the Government should be involved. These CPSEs 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 capital markets. However, budgetary support to implement Government sponsored projects of national interest and Government sponsored Research & Development projects will not disqualify CPSEs from retaining their Maharatna status and for such projects, investment decisions will be taken by the Government and not by the concerned CPSE. Further, wherever Government guarantee is required under the standard stipulations of external donor agencies, the same may be obtained from the Ministry of Finance through the administrative Ministry and such Government guarantee shall not affect Maharatna status.
- g) These CPSEs 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.
- h) The exercise of authority to enter into technology joint ventures and strategic alliances shall be in accordance with Government guidelines as may be issued from time to time.
- i) These CPSEs shall follow the highest standards of Corporate Governance and Corporate Social Responsibility applicable to CPSEs.

##### 5. Review of performance of Maharatna CPSEs

The performance of Maharatna CPSEs would be reviewed annually by the Inter-Ministerial Committee, and thereafter by the Apex Committee headed by the Cabinet Secretary which will recommend continuation/divestment of Maharatna status. The review will focus on the eligibility of Maharatna CPSEs vis-à-vis the

criteria laid down for grant of Maharatna status in para 2 above, and their performance during the previous year(s).

6. **Divestment of Maharatna status**

In case, the Apex Committee recommends divestment of Maharatna status of a CPSE, such a recommendation would be placed before the Minister (HI & PE) for a decision.

7. The Department of Public Enterprises may issue suitable clarifications and make modifications to the Maharatna scheme in order to ensure smooth implementation of the scheme.

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No. 16(4)/2010-GM  
Government of India  
Ministry of Heavy Industries and Public Enterprises  
Department of Public Enterprises

Block No. 14, CGO Complex,  
Lodi Road, New Delhi – 110003  
Dated the 24<sup>th</sup> October, 2011

**OFFICE MEMORANDUM**

**Subject: Policy for acquisition of Raw Material Assets abroad by Central Public Sector Enterprises (CPSEs)**

The undersigned is directed to state that the matter of ensuring availability of adequate quantities of raw materials, which is crucial not only for the growth of the manufacturing sector in particular but also the economy as a whole, has been considered by the Government and it has been decided to issue a clear policy statement with regard to the acquisition of raw material assets abroad by CPSEs. In the long term interests of the economy, the Government has approved the implementation of a Policy for acquisition of Raw Material Assets abroad by CPSEs, a copy of which is enclosed for information, guidance and further necessary action.

2. The contents of above Office Memorandum may also be brought to the notice of CPSEs under the administrative control of your Ministry/Department for their information, guidance and further necessary action.



(Ashok K. Pavadia)  
Joint Secretary to the Government of India  
Tel : 2436-3411

**Encl : As stated**

To Secretaries of all Ministries/Departments (by name)

Copy to :- (i) Cabinet Secretariat, (Shri K.L. Sharma, Director - Cabinet), Rashtrapati Bhavan, New Delhi – w.r.t. Cabinet Secretariat communication No. 36/CM/2011(i) dated 18.10.2011.

(ii) Secretary, Ministry of External Affairs, South Block, New Delhi – with a request to take further necessary action as per para 21 of the enclosed Policy

Copy also to :-

(i) PS to Minister (HI&PE)

(ii) PS to Secretary (PE)

(iii) PS to AS&FA (HI&PE)

✓ (iv) NIC Cell, DPE – with a request to upload this O.M. on DPE website

## **Policy for Acquisition of Raw Material Assets Abroad by Central Public Sector Enterprises (CPSEs)**

### **Need to acquire raw material assets abroad**

1. Government has projected that our economy needs to grow between 9 to 10% over the next 10 years in order to bring down the present level of poverty in the country. In order to achieve the desired growth rate, it is imperative that the manufacturing sector grows at 12 to 14%. This in turn would exert a lot of pressure on the requirements of raw materials. It has been observed that in the recent past, when the economy grew at 9% for a period of three continuous years, there were severe shortages of raw materials. Some of the raw material assets required for manufacturing, such as coking coal, have not been available locally in adequate quantities. Therefore, arrangements for assured supply of key raw materials over the long term need to be put in place if the country is to achieve double digit growth rate over the next decade. Even in respect of those raw material assets which are available only in a limited amount in the country, alternative arrangements for their assured supply need to be worked out well in time. In view of the severe competition from other countries for acquiring such assets, this matter acquires a sense of urgency. The acquisition of raw material abroad will also help in improving the energy security of the country.

2. Thus, in the long term interests of the economy in general and the growth of the manufacturing sector in particular, and also taking into account strategic aspects, the Government of India is committed to promote and take all necessary measures towards acquisition of raw material assets abroad.

### **Present system of overseas investment**

3. The financial aspects of allowing outward investments are presently guided by the Ministry of Finance and the Reserve Bank of India (RBI) whereas the actual acquisitions are being handled by the CPSEs / concerned Ministries. The Reserve Bank of India, under the powers vested in it under Section 6 of the Foreign Exchange Management Act, 1999 has issued **guidelines on Direct Investment by Residents in Joint Venture (JV) / Wholly Owned Subsidiary (WOS) Abroad (Annex-I)**. These guidelines basically prescribe the classes of permissible capital account transaction and limits up to which foreign exchange is admissible for such transactions. Under RBI's guidelines, overseas investment can be made under two routes, viz Automatic and Approval routes. Under the Automatic route, RBI's guidelines permit investment in overseas JVs / WOS upto 400 per cent of the net worth of the Indian company or Special Purpose Vehicle (SPV). RBI's guidelines permit Navratna PSUs, ONGC Videsh Ltd (OVL) and Oil India Limited (OIL) and other Indian Companies to invest under the Automatic route in unincorporated entities overseas in the **oil sector** subject to their being approved by the competent authority. Listed Indian companies are permitted to invest up to 50 per cent of their net worth in shares issued by listed overseas companies. RBI's guidelines permit consideration of proposals for investment in JV / WOS overseas in the **energy and natural resources sectors (e.g. oil, gas, coal and mineral ores)** in excess of the 400 per cent of net worth limit (**Annex-I**).

4. DPE has issued guidelines from time to time to grant enhanced autonomy and delegation of powers to different categories of CPSEs, subject to certain stipulated



conditions and procedures, with a view to enabling them to enhance their global presence. The introduction of Navratna and Miniratna schemes in 1997 and Maharatna scheme in 2010 are the initiatives taken by DPE in this regard. Some aspects of the powers delegated to Boards of Maharatna, Navratna and Miniratna CPSEs are extremely relevant in the context of powers to be exercised by the concerned CPSEs for acquisition of raw material assets abroad. The relevant guidelines issued by DPE, as applicable to these categories of CPSEs, are enclosed at **Annex-II**.

5. DPE has also issued another set of guidelines exclusively on the issue of acquisition of raw material assets abroad by Indian Companies for ONGC-Videsh Limited vide their O.M dated 17.1.2000 (**Annex-IIIA**). These guidelines were extended by the Ministry of Petroleum & Natural Gas to Indian Oil Corporation, Oil India Limited and other Navratna downstream PSUs (**Annex-IIIB**). The Ministry of Steel has also set up an Empowered Committee of Secretaries (ECS) mechanism for acquiring coal assets by 'International Coal Ventures Private Limited' (**Annex-IIIC**), a Special Purpose Vehicle. The Ministry of Coal has thereafter issued instructions to the effect that the efforts of Coal India Limited to acquire coal assets abroad would also be considered under the ECS mechanism set up by Ministry of Steel (**Annex-IIID**).

### **Shortcomings of the present system of outward investment**

6.1 The principal shortcoming in the present system is the lack of an explicit commitment from the Government of its intention to promote acquisition of raw material assets abroad. As a result, the issue does not always get the expediency and seriousness that it deserves, and proposals for acquisition of raw material assets suffer from **delays in decision making**.

6.2 Secondly, a **coordinated, inter-sectoral approach** which is often required to aggressively bid for raw material assets abroad, particularly the sovereign ones, is lacking.

6.3 Thirdly, **enormous funds** are often required for acquiring raw material assets abroad which are not readily available with even our largest CPSEs.

6.4 A number of mechanisms have been evolved by different agencies for acquiring raw materials abroad and it may be worthwhile to harmonize and supplement them.

6.5 The instant policy addresses these shortcomings by clearly specifying the commitment of the Government to acquisition of raw material assets abroad. It seeks to enhance the powers delegated to Boards of CPSEs in making equity investments through Mergers and Acquisitions, in Joint Ventures / Wholly Owned Subsidiaries and for capital expenditure, retains the existing mechanism of Empowered Committee of Secretaries and puts in place provisions for fast track decision making through an integrated, coordination mechanism at the higher levels which can be relied upon by the CPSEs and the Ministries should the need arise.

### **Proposed procedure for acquisition of raw material assets abroad**

7. **Objective:** The objective of the policy is to put in place a fast track and coordinated decision making process in order to facilitate acquisition of raw

materials abroad by CPSEs for the requirement of manufacturing sector in the country.

8. **Scope:** In order to accelerate the pace of acquisition of raw material assets abroad, the following procedure, which includes among others, the aspects covered in prevalent guidelines listed at Annex II & III, is prescribed. It is clarified that the purpose of these guidelines is to reduce the time associated with the acquisition process, underscore the significance the Government attaches to the subject, support CPSEs for strategic acquisitions, and to provide them a forum through which a coordinated, inter-sectoral, consortium based approach could be adopted. Notwithstanding the following arrangement, the CPSEs will continue to exercise the powers that are currently available to them. This policy would be applicable only to CPSEs in Agriculture, Mining, Manufacturing and Electricity sectors as per Public Enterprises Survey of DPE. The details of the prescribed procedure are as under.

9. **Applicability:** The CPSEs, that is, those Government companies (as defined under Section 617 of the Companies Act, 1956) wherein more than 50% equity is held by the Central Government, subsidiaries of such CPSEs and which have a three year record of making net profits, can benefit from the decision making mechanism prescribed in these guidelines for acquiring raw material abroad.

10. **Definition of Raw Material Assets Abroad:** The term Raw Material Assets Abroad shall include ownership(equal/minority/majority stake holding), lease, rights for exploration, development and production of an on-shore or offshore asset that is yielding, or has proven reserves or the potential to yield **natural resource, including mineral resources**, whether held publicly or privately or jointly, in an internationally recognized State/Country/territory outside the borders of India. By implication, raw material assets in territories held by non-State actors (such as armed groups), or in States under the sanction of an International body to which India is a signatory and bound, shall not be covered by this policy.

#### **Preliminary Information and Due-Diligence:**

11.1 **Flexibility to act on any credible information of the availability of Raw Material Asset Abroad for possible acquisition.** The proposals for acquisition of raw materials overseas should be driven by the requirements of the individual companies and linked to the specific needs of the CPSEs. CPSEs may entertain such proposals received directly or through a reputed merchant banker registered in either India or in the country where the target asset is located (having more than 5 years experience in the relevant field) or in response to an expression of interest issued by the concerned CPSE.

11.2 **Expeditious due diligence within the concerned CPSEs:** Each CPSE will take an initial call as to whether it wishes to proceed with the proposal or not. The available opportunities should be evaluated on techno-economic considerations in a transparent manner using either in-house expertise or external consultants/consultancy firms. In order to form a view, the CPSEs may seek a presentation by the proposer or a visit by its team or take any other appropriate measure to have an initial assessment in order to arrive at a decision as to whether to proceed with the proposal or not.

11.3 If the initial decision is to proceed with the proposal, the CPSEs will undertake due diligence on technical, financial and legal aspects and obtain independent advice of reputed experts /consulting agencies

11.4 The Boards of all profit making CPSEs will continue to be empowered to decide on appointment of Consultants for such purposes. It may be mentioned that some CPSEs are already exercising such powers. Should a CPSE consider necessary, it may draw up a panel of experts so that they can appoint consultants from the approved panel of consultants at short notice. The “Manual of Policies and Procedure of Employment of Consultants” issued by the Department of Expenditure, Ministry of Finance may be broadly used as guidance in this regard.

#### **Structure & Ownership of Overseas Investing Entity:**

12.1 Subject to these guidelines, the Boards of Profit making CPSEs would be competent to pursue overseas opportunities either on stand-alone basis, or in collaboration with other CPSEs/domestic private companies through Joint Ventures (called consortium approach). **CPSEs can collaborate with foreign Public or Private sector enterprises also in case such a collaboration is felt essential or in case laws of the country in which target asset is located require association of a local enterprise in the Joint Venture before they are eligible to bid for raw material assets.** If the Board of the CPSE decides to associate partner(s), it would select partner(s) on the basis of clear criteria including past performance, work experience, financial and technical capabilities etc. The modalities of selection would be decided by the Boards of respective CPSEs, depending upon the requirements of the situation. In case the CPSEs acquires part equity stake in an asset, the existing shareholder(s) of the target asset, if any, would automatically become partners of the CPSE. The Boards of profit making CPSEs can also pursue overseas opportunities through mergers and acquisitions, establish Wholly Owned Subsidiaries or incorporate new enterprise(s) abroad; CPSEs can also explore overseas opportunities under various arrangements used in the international industry such as production sharing contracts, concessionary arrangements, service contracts etc. The policy and procedures of authorities like RBI, guidelines of the Department of Expenditure, Ministry of Finance for establishing Joint Venture Companies in Infrastructure Sectors (vide No. 24(24)/PF-II/2009 dated 21<sup>st</sup> July, 2009) and other prevailing rules and regulations of Government of India, as laid down from time to time, would be observed as guidance by the CPSEs while undertaking such ventures. The existing requirement of CPSEs keeping the Cabinet Committee on Economic Affairs informed of **any investments abroad** shall continue to apply.

12.2 If required, the CPSE(s) may form project specific **Special Purpose Vehicles (SPVs)** to undertake overseas projects for the acquisition of raw materials abroad. These SPVs should be need based and it would be ensured that there is no proliferation of such SPVs. The concerned CPSE should also ensure that business risks associated with projects abroad are restricted to the extent of their equity participation in the SPV and the parent company is insulated against such business risks.

12.3 The proposal after following the above procedure would be put up to the **Board of Directors**, including Government and non-official Directors. 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. The decision on such a proposal should preferably be unanimous. In the event of any decision on such matters not being unanimous, a majority decision may be taken, but at least two thirds of the Directors should be present. In addition, all the Government Director(s), the Director Finance and the concerned Functional Director(s) should invariably be present when such decisions are taken. The objections, dissents, the reasons for over-ruling them and those for taking the decision should be recorded in writing and minuted. The decision of the Board should be based on quantified techno-economic parameters and should take into account the considerations of socio-political risks, technology transfer, strategic entry into a particular area/country etc. In many countries, the mineral resources happen to be located in relatively insecure and inaccessible areas. The issue of security of assets proposed to be acquired may be suitably factored into at the time of decision making.

12.4 The **ownership of raw material assets abroad** may lie with the concerned CPSEs/Joint Venture/Wholly Owned Subsidiary/Special Purpose Vehicle depending upon the source of equity investment in the project. The Board of the concerned CPSE should, however, through documented deliberations ensure that **adequate representation is given to the CPSE in the management and operation** of its overseas project. The extent of representation should be commensurate with its equity contribution in the project.

#### **Enhanced Delegated Powers to Boards of CPSEs:**

13.1 The foreign operations especially acquisition of assets abroad require large funds and also there is a need to provide flexibility to CPSEs in undertaking such overseas ventures. Therefore, existing **delegation of powers** to Boards of Profit making CPSEs have been enhanced as follows:

**TABLE-1 : Financial powers delegated to Boards of Profit Making CPSEs for Equity Investment through Mergers and Acquisitions and in Joint Ventures / Wholly Owned Subsidiaries**

Class of CPSE	Existing delegated powers		Enhanced delegated powers	
	for Merger & Acquisition, or equity investment in <u>any one</u> joint venture / wholly owned subsidiary	Subject to % of net worth of CPSE, for all projects put together	for Merger & Acquisition, or equity investment in <u>any one</u> joint venture / wholly owned subsidiary	Subject to % of net worth of CPSE, for all projects put together
Maharatna	Rs. 5000 crore subject to a ceiling of 15% of the net worth	30% of net worth	Rs. 5000 crore subject to a ceiling of <u>25% of the net worth</u>	40% of net worth
Navratna	Rs. 1000 crore subject to a ceiling of 15% of the net worth	30% of net worth	Rs. 3000 crore subject to a ceiling of <u>25% of the net worth</u>	40% of net worth

The above revised monetary ceilings shall be the equity investment limits up to which Boards of CPSEs can take investment decisions for bidding, and acquisition of raw material assets overseas without any reference to the Government. The cumulative ceiling as a percentage of net worth on equity investments in such projects shall be computed by adding the investments made by the CPSE concerned under the powers delegated to its Board, and exclude investments in projects beyond the delegated powers with government approval. .

13.2 The Boards of Mahartana and Navratna CPSEs shall continue to exercise delegated powers for **capital expenditure** for development of overseas assets, which could be used for purchase of new items or for replacement.

13.3 The revised delegated powers would be applicable only for acquisition of raw material assets abroad.

#### **Above Board-Level Approval Mechanisms:**

14.1 The mechanism of **Empowered Committee of Secretaries** chaired by Secretaries of Ministries of Petroleum & Natural Gas (for ONGC Videsh Limited at **Annex-IIIA**, and for Oil India Limited and Indian Oil Limited at **Annex-IIIB**), Steel (for International Coal Ventures Limited at **Annex-IIIC**, and for Coal India Limited at **Annex-IIID**) shall continue to function, and consider proposals for acquisition of raw material assets abroad beyond the powers delegated to Boards of concerned CPSEs. Recommendations of Empowered Committee of Secretaries shall be submitted to the Cabinet Committee on Economic Affairs directly for consideration.

14.2 Ministries other than those listed in the preceding para which do not currently have an **Empowered Committee of Secretaries (ECS)** shall stand authorized to notify an appropriate ECS mechanism on the lines of ONGC Videsh Limited (Annex-IIIA). Such **Empowered Committees of Secretaries** shall be chaired by the Secretaries of the concerned administrative Ministries / Departments with Secretaries of Finance, MEA, Law and DPE as members. Each **Empowered Committee of Secretaries** shall be authorized to consider proposals for acquisition of raw material assets overseas which are beyond the powers delegated to the Boards of CPSEs under their administrative control. **ECS** shall facilitate inter-Ministerial consultations, before its recommendations are submitted to the Cabinet Committee on Economic Affairs directly for a decision. Notifications constituting new Empowered Committee of Secretaries shall be issued by the administrative Ministries / Departments after these are vetted by Finance Ministry and DPE.

14.3 For proposals which are beyond the powers of the Boards of CPSEs and require a coordinated approach, or budgetary support there will be a **Coordinating Committee of Secretaries (CCOS)** headed by the **Cabinet Secretary** with Secretaries of the Ministry of External Affairs, Planning Commission, Department of Legal Affairs, Ministry of Finance, Department of Public Enterprises and the Ministries / Departments administering the concerned CPSE and any other Secretary considered relevant to decision making as members. This Committee would, if required, facilitate a consortium approach in high value or strategically important acquisitions. The following class of proposals for acquisition of assets abroad would be put up before the Coordinating Committee of Secretaries and would not need be routed through the Empowered Committee of Secretaries.

- (a) Proposals where the administrative Ministry/CPSE requests for a coordinated view even though acquisition is with CPSE's funds and the investment falls within the delegated powers of the board of the CPSEs;
- (b) All acquisition proposals involving Government funds, before these are moved to the CCEA.

14.4 The CCOS shall add value to the proposals for acquisition of raw material assets abroad before they are considered by the Cabinet committee on Economic Affairs on the following counts:

- a. Avoiding competition among Indian companies
- b. Reconciling interests of the nation viz-a-viz those of the CPSE(s) in the event of a conflict
- c. Providing a forum for sharing of available experience
- d. Facilitating quick, coordinated decision making
- e. Exploring the possibility of infrastructure development in the target country
- f. Coordinating grant of concessional credit to foreign enterprise/ Government, in return for long term commitment for the supply of natural resources.
- g. Recommending government funding, and its nature (Grant, loan or equity), for the overseas investment proposal.

#### **Funding of Acquisition of Overseas Assets:**

15.1 Issues regarding requirement of funds for acquiring raw material assets abroad, including for development of infrastructure alongwith the acquisition, will be resolved by the Coordination Committee of Secretaries on case by case basis.

15.2 The Government would, in due course, consider constituting a dedicated, Sovereign Wealth Fund which can serve as the corpus for financing investments in acquisition of raw material assets abroad.

#### **Servicing of Coordinating Committee of Secretaries:**

16.1 The CCOS would be **served by the Department of Public Enterprises**, which would undertake only coordination related activities in close cooperation with concerned Ministries.

16.2 For this purpose a **cell would be created in DPE**. DPE shall be authorized to the following additional personnel, accommodation and funds necessary for making this cell operational.

- a. Two senior consultants, six consultants, and two young professionals recruited as per Planning Commission guidelines with regard to the qualifications, experience and remuneration;
- b. An additional floor space of 2000 Square feet to be hired in the vicinity of CGO complex.

- c. An additional, dedicated budgetary outlay of Rs. 1.5 crores per annum to meet the cost of operating this cell as per the following break-up.

<b>Budget Estimate for Assets Abroad Cell in DPE</b>			
Item	Number	Monthly Charge per person(Rs.)	Annual Outlay (Rs.)
Consultant – Young professionals	2	40000	9,60,000
Consultants	6	70000	50,40,000
Senior Consultants	2	100000	24,00,000
Secretarial/Stenographic assistance	5	20000	12,00,000
Equipments (Lump Sum)			15,00,000
Rent for 2000 Square foot space	@ Rs.100 per sq. foot/ month		24,00,000
Sub-Total			1,35,00,000
Office expenses	10%		13,50,000
GRANT TOTAL (Rs.)			1,48,50,000
			Say Rs. 1.5 crores

16.3 Once a CPSE/Ministry decides to approach the CCOS, it would submit necessary details of the proposal to the DPE. DPE would circulate the details of the said proposal to the members of CCOS on acquisition of raw material assets abroad for their comments. The concerned CPSE/Ministry would nominate a nodal officer with regard to their acquisition proposal, to ensure complete coordination with the cell in DPE/CCOS.

16.4 The DPE would as early as possible but not later than two weeks from the receipt of the details of the proposal, **convene a meeting of the CCOS** on acquisition of raw material assets abroad to take a view, including on whether or not the proposal should be pursued on a standalone basis or whether the proposal should be taken up as an umbrella approach by a consortium of different CPSEs / private sector companies, or negotiated as a package deal. Additionally, the CCOS would decide on the infrastructure that can be developed as a part of the package and other assistance that can be offered including soft loans, educational, scientific, cultural, health and social infrastructure.

16.5 CPSEs involved in acquisition of raw material assets abroad, particularly those in the oil and gas, coal and mineral sectors shall also develop long term financing plans, wherein their internal resources and net worth could be appropriately leveraged.

#### **Miscellaneous:**

17. Notwithstanding anything to the contrary in DPE's delegation of powers guidelines, the Ratna (Mini/Nav/Maha) status of a CPSE shall not be affected solely by virtue of it receiving Government funds for acquiring raw material assets abroad.

18. **Resolution of disputes arising from acquisition of raw material assets abroad:** All raw material assets acquired abroad by CPSEs should

incorporate relevant clauses making all disputes subject to the jurisdiction of Indian/mutually agreed dispute resolution mechanism(s), as far as possible.

19. **Exiting from overseas ventures:** Each holding CPSE will be empowered to transfer shares, float fresh equity and divest shareholding in the overseas subsidiary/Joint Venture/SPV which have been set up by the holding CPSE under powers delegated to its Board, subject to the conditions that public character of the concerned subsidiary/Joint Venture/SPV would not change, and holding CPSE does not exit from its subsidiary/Joint Venture/SPV. If the overseas subsidiary / Joint Venture / SPV has been created with approval of the Government, or with contribution of Government funds, prior approval of the Government would be necessary to transfer shares, float fresh equity and divest shareholding **if and only if it leads to** change in public sector character of the overseas enterprise, or leads to an exit of the CPSE from its subsidiary/Joint Venture/SPV.

20. Raw material assets in most sectors are underground and therefore it is not always possible to correctly predict or forecast the likely availability of raw material from a particular asset. Since the world scenario is changing fast and in order to aggressively acquire assets abroad, companies will have to take time-bound decisions which would involve business risk(s) as such decisions would be based on their assessment at that point of time. There is a likelihood of actual performance of the asset being different from that assessed at the time of taking the initial decision. There is a general tendency to avoid risks for fear of objections from Audit/CVC later. Since commercial risk taking forms part of business, every loss caused to the organization, either in pecuniary or non-pecuniary terms, need not necessarily become the subject matter of vigilance inquiry. Thus, whether a person of common prudence, working within the ambit of the prescribed rules, regulations and instructions, would have taken the decision in the prevailing circumstances in the commercial/operational interests of the organization is one possible criterion for determining the bona fides of the case. A positive response to this question may indicate the existence of bona fides. A negative reply, on the other hand, might indicate their absence (Refer Central Vigilance Commission Office Order No. 23/04/04 dated 13<sup>th</sup> April, 2004). Decisions on acquisition of raw material assets abroad as outlined in this policy should, therefore, while following prescribed rules, regulations and instructions elaborately document the prevailing circumstances, commercial interests of the organization and the process of decision making by evaluating alternative scenarios, and using necessary tools like cost-benefit and SWOT analysis, etc. The due-diligence process should be meticulously followed and documented at all stages of the overseas investment not only to avoid causing any loss to the CPSE, but also to establish the bona fides of the decision makers.

21. The Ministry of External Affairs and its Missions abroad will be associated right from the beginning of the process, instead of approaching them at a later stage. MEA would advice suitable guidelines with regard to association of MEA and its missions abroad in this process. MEA would also issue an advisory to the missions abroad to actively participate in the process of acquisition of raw materials by the Indian Companies and also glean through any information on possibilities in this regard and share with the concerned Ministries.

22. **Uranium** is a strategic mineral which is acquired by Department of Atomic Energy with the approval of the Atomic Energy Commission. Hence, it is clarified that the above policy/procedure will not be applicable to the Department of Atomic Energy.



23. The above policy shall **not be applicable** to the acquisition overseas of projects that threaten, or are likely to threaten India's national security, or damage public interest of the society.

24. The Department of Public Enterprises is authorized to issue clarifications to the concerned Administrative Ministries/CPSEs on issues relating to the implementation of this Policy. Any further change/modification in the policy would require approval of the competent authority.

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**Copy of RBI's Master Circular on Direct Investment by Residents in Joint Ventures (JV) / Wholly Owned Subsidiaries (WOS) Abroad**

**Master Circular No.05/2010-11 dated July 01, 2010**

RBI's regulation on Outward FDI seeks to regulate acquisition and transfer of a foreign security by a person resident in India i.e. investment by Indian entities in overseas joint ventures and wholly owned subsidiaries as also investment by a person resident in India in shares and securities issued outside India. Overseas Investment can be made under two routes viz. (i) Automatic Route and (ii) Approval Route.

2. Under automatic route, an Indian party has been permitted to make investment in overseas Joint Ventures (JV)/Wholly Owned Subsidiaries (WOS), not exceeding 400 per cent of the net worth of the Indian party as on the date of the last audited balance sheet. The ceiling of 400 per cent of net worth will not be applicable where the investment is made out of balances held in Exchange Earners' Foreign Currency account of the Indian party or out of funds raised through ADRs/GDRs. The above ceiling will include contribution to the capital of the overseas JV / WOS, loan granted to the JV/WOS, and 100 per cent of guarantees issued to or on behalf of the JV/WOS. The investments are subject to certain conditions.

3. Investments in unincorporated entities overseas in the oil sector (i.e. for exploration and drilling for oil and natural gas, etc.) by Navaratna PSUs, ONGC Videsh Ltd. (OVL) and Oil India Ltd. (OIL) may be permitted by AD Category – I banks, without any limit, provided such investments are approved by the competent authority. Other Indian companies are also permitted under the Automatic Route to invest in unincorporated entities overseas in the oil sector up to 400 per cent of its net worth provided the proposal has been approved by the competent authority and is duly supported by certified copy of the Board resolution approving such investment. Investment in excess of 400 per cent of the net worth of an Indian company shall require prior approval of the Reserve Bank.

4. Prior approval of the Reserve Bank would be required in all other cases of direct investment abroad. Reserve Bank would, inter alia, take into account the following factors while considering such applications:

- i. Prima facie viability of the JV / WOS outside India;
- ii. Contribution to external trade and other benefits which will accrue to India through such investment;
- iii. Financial position and business track record of the Indian party and the foreign entity; and
- iv. Expertise and experience of the Indian party in the same or related line of activity of the JV / WOS outside India.

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**Relevant extracts from DPE O.M. No. 22(1)/2009-GM dated 4.2.2010  
regarding Introduction of Maharatna scheme for CPSEs**

**Delegation of powers to Maharatna CPSEs** - The boards of Maharatna CPSEs have been delegated the following powers.

- (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/abroad, creating new activity centers, etc.
- (v) To create below board level posts upto E-9 level and to wind up all below board level posts. The Boards of Directors will have powers to make all appointments, effect internal transfers and re-designation of all below board level posts.
- (vi) To structure and implement schemes relating to personnel and human resource management and training.
- (vii) To raise debt from the domestic capital markets and from international market, the latter being subject to the approval of RBI/Department of Economic Affairs, as may be required, and should be obtained through the administrative Ministry.
- (viii) To make equity investment to establish financial joint ventures and wholly owned subsidiaries and undertake mergers & acquisitions, in India or abroad, subject to a ceiling of 15% of the net worth of the concerned CPSE, limited to Rs.5,000 crore in one project. The overall ceiling on such investments in all projects put together will not exceed 30% of the net worth of the concerned CPSE. While normally the investment would be done directly by the parent CPSE, in cases where it proposes to invest through a subsidiary into another joint venture, and also provide the additional capital for this purpose, the above stipulations would be in the context of the parent company.
- (ix) The Board of Directors shall have the powers for mergers and acquisitions, subject to the conditions that (a) it should be as per the growth plan and in the core area of functioning of the CPSE and (b) the Cabinet Committee on Economic Affairs (CCEA) would be kept informed in case of investments abroad. Further, the powers relating to Mergers and Acquisitions should be exercised in such a manner that it should not lead to any change in the public sector character of the concerned CPSEs.
- (x) CMD is empowered to approve business tours abroad of functional Directors upto 5 days duration (other than study tours, seminars, etc.) in emergency, under intimation to the Secretary of the administrative Ministry.
- (xi) Holding companies are empowered to transfer assets, float fresh equity and divest shareholding in subsidiaries subject to the condition that the delegation will only be in respect of subsidiaries set up by the holding company under the powers delegated to Navratna/Maharatna CPSEs and further to the proviso that:

- i. the public sector character of the concerned CPSE (including subsidiary) would not be changed without prior approval of the Government, and
- ii. such Maharatna CPSEs will be required to seek Government approval before exiting from their subsidiaries.

**Empowerment of Central Public Sector Enterprises (CPSEs)—enhancement of delegated powers of Navratna PSEs. (DPE O.M. No. 18(24)/2003-GM- GL.64 dated 5<sup>th</sup> August, 2005)**

The undersigned is directed to refer to this Department OM No. DPE/11(2)/97-Fin. dated 22<sup>nd</sup> July, 1997 regarding turning selected public sector enterprises into global giants, wherein various powers were delegated to PSEs that have comparative advantages and capacity to become global giants, presently known as Navratnas.

2. Keeping in view the pledge made in the National Common Minimum Programme (NCMP) that full managerial and commercial autonomy will be devolved to successful profit making companies operating in a competitive environment, the Government have reviewed the powers presently delegated to the Board of Directors of Navratna PSEs and have decided to enhance the powers in the manner stated below:

- (i) The ceiling on equity investment to establish financial joint ventures and wholly owned subsidiaries in India or abroad shall be 15% of the networth of the PSE in one project limited to Rs. 1000 crore. The overall ceiling on such investment in all projects put together shall be 30% of the networth of the PSE.
- (ii) The Board of Directors of these PSEs shall have the powers for mergers and acquisitions, subject to the conditions that (i) it should be as per the growth plan and in the core area of functioning of the PSE, (ii) conditions/limits would be as in the case of establishing joint ventures/subsidiaries, and (iii) the Cabinet Committee on Economic Affairs (CCEA) would be kept informed in case of investments abroad. This is in partial modification of DPE OM No. 3(2)/2003-DPE(Fin.)GL XVI dated 11.2.2003.
- (iii) The Board of Directors of these PSEs shall have the power to further delegate the powers relating to Human Resource Management (appointments, transfer, posting, etc.) of below Board level executives to sub-committees of the Board or to executives of the PSE, as may be decided by the Board of the PSE.
- (iv) The Chief Executive of the PSE shall have the power to approve business tours abroad of functional directors up to 5 days' duration (other than study tours, seminars, etc.) in emergency, under intimation to the Secretary of the administrative Ministry. In all other cases including those of Chief Executive, tours abroad would continue to require the prior approval of the Minister of the Administrative Ministry/ Department.

3. The Navratna status is presently subject to the condition that these PSEs shall not depend up on budgetary support or Government guarantees. Wherever Government guarantee is required under the standard stipulations of external donor agencies, the same may be obtained from the Ministry of Finance through the administrative Ministry. Such Government guarantee shall not affect the Navratna status.

4. Other powers delegated under the DPE OM referred to in para. 1 above remain unchanged. The conditions and guidelines laid down in the said OM also remain unchanged and should be adhered to strictly.

5. The administrative Ministries/Departments concerned may bring the contents of this OM to the notice of these enterprises.

**Empowerment of Central Public Sector Enterprises (CPSEs)—  
enhancement of delegated powers of Miniratna PSEs. (DPE O.M. No.  
18(24)/2003-GM-GL. 65 dated 5<sup>th</sup> August, 2005)**

The undersigned is directed to refer to this Department OM No. DPE/11(36)/97-Fin. dated 9<sup>th</sup> October, 1997 regarding Financial and operational autonomy for profit making public sector enterprises, wherein various powers were delegated to Miniratna PSEs.

2. Keeping in view the pledge made in the National Common Minimum Programme (NCMP) that full managerial and commercial autonomy will be devolved to successful profit making companies operating in a competitive environment, the Government have reviewed the powers presently delegated to the Board of Directors of Miniratna PSEs and have decided to enhance the powers in the manner stated below:

**(i) Capital Expenditure**

- (a) For PSEs in category I: The power to incur capital expenditure on new projects, modernization, purchase of equipment, etc., without Government approval stands revised to Rs. 500 crore or equal to Net worth, whichever is less.
- (b) For PSEs in category II: The power to incur capital expenditure on new projects, modernization, purchase of equipment, etc., without Government approval stands revised to Rs. 250 crore or equal to 50% of the Net worth, whichever is less.

**(ii) Joint ventures and subsidiaries:**

- (a) Category I PSEs: The ceiling on equity investment to establish joint ventures and subsidiaries in India shall be 15% of the networth of the PSE in one project limited to Rs. 500 crore. The overall ceiling on such investment in all projects put together shall be 30% of the networth of the PSE.
- (b) Category II PSEs: The ceiling on equity investment to establish joint ventures and subsidiaries in India shall be 15% of the networth of the PSE in one project limited to Rs. 250 crore. The overall ceiling on such

investment in all projects put together shall be 30% of the networth of the PSE.

- (iii) The Board of Directors of these PSEs shall have the powers for mergers and acquisitions, subject to the conditions that (i) it should be as per the growth plan and in the core area of functioning of the PSE, (ii) conditions/limits would be as in the case of establishing joint ventures/subsidiaries, and (iii) the Cabinet Committee on Economic Affairs (CCEA) would be kept informed in case of investments abroad. This is in partial modification of DPE OM No. 3(2)/2003-DPE(Fin.)GL XVI dated 11.2.2003.
- (iv) The Board of Directors of these PSEs shall have the power to further delegate the powers relating to Human Resource Management (appointments, transfer, posting, etc.) of below Board level executives to sub-committees of the Board or to executives of the PSE, as may be decided by the Board of the PSE.
- (v) The Chief Executive of the PSE shall have the power to approve business tours abroad of functional directors up to 5 days' duration (other than study tours, seminars, etc.) in emergency, under intimation to the Secretary of the administrative Ministry. In all other cases including those of Chief Executive, tours abroad would continue to require the prior approval of the Minister of the Administrative Ministry/ Department.

3. The Miniratna status is presently subject to the condition that these PSEs shall not depend up on budgetary support or Government guarantees. Wherever Government guarantee is required under the standard stipulations of external donor agencies, the same may be obtained from the Ministry of Finance through the administrative Ministry. Such Government guarantee shall not affect the Miniratna status.

4. Other powers delegated under the DPE OM referred to in para.1 above remain unchanged. The conditions and guidelines laid down in the said OM also remain unchanged and should be adhered to strictly.

5. The administrative Ministries/Departments concerned may bring the contents of this OM to the notice of the enterprises.

**Empowerment of Central Public Sector Enterprises (CPSEs)-enhancement of delegated powers of other profit making PSEs(DPE OM No. 18(24)/2003-GM - GL.66 dated, the 5<sup>th</sup> August, 2005)**

The undersigned is directed to refer to this Department OM No. DPE/16(22)/90-Fin. dated 6<sup>th</sup> May, 1997 and 8<sup>th</sup> October, 1998 regarding delegation of powers to Board of Directors of PSEs to incur capital expenditure.

2. Keeping in view the pledge made in the National Common Minimum Programme (NCMP) that full managerial and commercial autonomy will be devolved to successful profit making companies operating in a competitive environment, the Government have reviewed the powers presently delegated to the Board of Directors

of other profit making PSEs and have decided to enhance the powers in the manner stated below:

(i) The power to incur capital expenditure without Government approval stands revised to Rs. 150 crore or equal to 50% of the Net worth, whichever is less.

(ii) The Chief Executive of the PSE shall have the power to approve business tours abroad of functional directors up to 5 days' duration (other than study tours, seminars, etc.) in emergency, under intimation to the Secretary of the administrative Ministry. In all other cases including those of Chief Executive, tours abroad would continue to require the prior approval of the Minister of the Administrative Ministry/ Department.

3. The conditions and guidelines laid down in the OMs referred to in para.1 above shall remain unchanged.

4. The administrative Ministries/Departments concerned may bring the contents of this OM to the notice of the enterprises.

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**Copy of DPE O.M. No.DPE.11(32)/96-Fin. dated 17<sup>th</sup> January, 2000**

**Subject: Laying down guidelines and parameters for the Board of Directors of ONGC Videsh Ltd. to enter into technology joint venture and strategy alliances.**

In pursuance of Cabinet Directions dated 8.7.97 it was decided the broad guidelines, within the purview of which ONGC Videsh Ltd. would be free to undertake its operations abroad should be laid down. These guidelines are framed to empower ONGC Videsh Ltd. for entering into technology joint ventures or strategic alliances and are:-

- I. ONGC-VL will be looking for opportunities overseas for undertaking projects in Exploration, Development and Production areas. These opportunities would come either from the Government or the national oil companies or private companies or consortia of such companies of the overseas countries. ONGC-VL should evaluate these opportunities on techno-economic considerations in a transparent manner and could use either departmental services for evaluation or appoint consultancy firms for such evaluation/audit.
- II. Such a proposal should be put up to the full Board of Directors including part-time professional non-official Directors. The decision of the ONGC-VL Board should be based on techno-economic parameters for international ventures and should take into account the consideration of socio-political risks, technology transfer, strategic entry into a particular area/country etc.
- III. ONGC-VL should be free to pursue overseas opportunities either on standalone basis or through joint ventures or through wholly owned subsidiaries. Such opportunities would be exploited under various arrangements used in the International oil industry like production sharing contracts, concessionary arrangements, service contracts, etc. The policy and procedures of authorities like RBI and other rules and regulations of Government of India, as laid down from time to time, shall be observed by ONGC-VL.
- IV. It must be ensured that the proposal being agreed to should not result in the opening up of a business opportunity for a MNC to enter into an Indian market through this arrangement.
- V. The ONGC-VL Board shall select partner for overseas ventures on the basis of its past performance, work experience, financial and technical capabilities etc.
- VI. The ONGC-VL shall be empowered to take decisions on exploration, development and production projects involving investment up to Rs.200\* crores.
- VII. An Empowered Committee consisting of Secretaries in the Ministry of Petroleum & Natural Gas, Ministry of External Affairs, Planning Commission, Department of Legal Affairs, Ministry of Finance and Department of Public Enterprises should be constituted for considering projects involving financial decisions exceeding Rs.200\* crores. The



recommendations of the Empowered Committee would be submitted to CCEA directly for approval.

[\* amended as Rs.300 crores vide Ministry of Petroleum & Natural Gas letter No.O-28011/11/2003-ONG.II(Vol.II) dated 25<sup>th</sup> February, 2005]

- VIII. There shall not be any budgetary support from the Government or ONGC to ONGC-VL's overseas ventures.
- IX. An annual investment cap in respect of the projects to be taken up in any year shall be decided by the administrative Ministry in consultation with the Ministry of Finance on a year to year basis for the overseas projects of ONGC-VL.
- X. The Board of ONGC-VL should be competent to reappropriate funds from within the approved list of projects within the annual investment cap.
- XI. The Board of ONGC-VL shall ensure that adequate representation is given to the company in the management and operation of its overseas project. The extent of representation should be commensurate to their contribution.
- XII. The progress and performance of the overseas projects of ONGC-VL shall be monitored by a Committee headed by Secretary, Ministry of Petroleum & Natural Gas with representatives of Ministry of External Affairs, Planning Commission, Department of Expenditure and Department of Public Enterprises.
- XIII. The Ministry of Petroleum & Natural Gas in consultation with Ministry of External Affairs should lay down the list of countries, for which ONGC-VL shall have the powers to undertake exploration, production and development projects. Specific approval would be obtained by ONGC-VL for undertaking any exploration in other countries not specific in the list.

\*\*\*\*\*

Clause included vide Ministry of Petroleum & Natural Gas letter No.O-28011/11/2003-ONG.II(Vol.II) dated 25<sup>th</sup> February, 2005 as under:-

'The criteria for approval of projects, such as transparent and objective criteria for due diligence with regard to factors such as technical, legal and risk analysis and its impact on overall viability of the project be decided by the Empowered Committee of Secretaries for selection of projects.'

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**Copy of Ministry of Petroleum & Natural Gas letter No.O-  
28011/3/2005-ONG.II dated 29<sup>th</sup> December, 2005**

**Subject: Delegation of investment decision-making powers to Oil India Ltd. (OIL), Indian Oil Corporation Ltd. (IOC) and others for acquiring exploration and production assets abroad.**

I am directed to refer to the above subject and to convey the approval of the Government for the following:-

- i. Oil India Ltd. (OIL) may form project specific Special Purpose Vehicles (SPVs) with Indian Oil Corporation Ltd. (IOC) and in the even IOC is not interested, with any other Navratna downstream oil PSU, to undertake overseas projects for the acquisition of E&P projects overseas;
  - ii. Proposals for all overseas Exploration & Projection (E&P) projects jointly to be undertaken by OIL and the Navratna downstream oil PSUs would be brought for consideration before an Empowered Committee of Secretaries (ECS). The same mechanism, as available to OVL, would be available so as to enable such SPVs, as mentioned above, to undertake overseas projects for the acquisition of E&P assets overseas. For this purpose, the ECS set up to consider proposals for OVL is also authorized to consider similar proposals of this combine and give its recommendations to the CCEA;
  - iii. any SPVs floated by the PSUs with OIL for the purpose will be purely need-based and it would be ensured by the ECS that there was no proliferation of such SPVs;
  - iv. it would be ensured that business risks associated with projects abroad would be restricted to the extent of participation in the SPV and the parent PSUs would be insulated there from; and
  - v. in order to avoid needless competition between PSUs and ensure that these investments fit within the framework of the overall energy security objectives of the country, ECS, in consultation with MoP&NG, would chalk out the strategy to be adopted and coordinate the efforts of the PSUs.
2. A copy each of Department of Public Enterprises, O.M. No.DPE.11/96-Fin. Dated 17.1.2000 and the Ministry of Petroleum & Natural Gas letter No.O-28011/11/2003-ONG.II (Vol.II), dated 25.2.2005 relating to delegation of powers to ONGC Videsh Ltd. are enclosed for reference and guidance.
  3. This issues with the concurrence of IFD, Ministry of Petroleum & Natural Gas.

**Copy of Ministry of Steel Order No.1(2)/99-VSP dated 8<sup>th</sup>  
February, 2008**

The Indian steel industry is in rapid expansion mode with consumption and production levels now growing at around 13% and 7% annually. In addition to fresh investments, both private steel companies as well as public sector undertakings like Steel Authority of India Limited (SAIL) and Rashtriya Ispat Nigam Limited (Visakhapatnam Steel Plant) are also undertaking ambitious modernization and expansion projects. The goal of India attaining 110 million tones per annum of steel production by the year 2019-20 which was set in the National Steel Policy, 2005, is likely to be considerably surpassed and the 11<sup>th</sup> Plan Working Group has estimated a production level of 124 million tones of steel per annum by the year 2012.

2. In the context of this ambitious growth scenario, it is a vital national imperative to ensure the assured supply of strategic raw materials for the production of steel. One of the key requirements for steel-making is an assured supply of metallurgical coal of which a substantial part has to be imported, given the limitations of Indian metallurgical coal both in terms of quantity as well as quality. Likewise, ensuring future access to thermal coal resources would also be a strategic necessity for the country, given its increasing demand for fossil fuel in sectors like steel, power generation, etc.

3. Given these strategic imperatives, the Government have approved the proposal for the formation of a Special Purpose Vehicle (SPV), named 'Coal Ventures International' for securing metallurgical coal and thermal coal assets overseas by the PSUs with the following objectives:

- (i) To ensure supply of imported met coal, of at least 10% of the 2019-20 requirements of SAIL and RINL i.e. say five million tones per annum from assets overseas as medium term target to be achieved by 2011-12; being a step towards security of supply.
- (ii) To be an owner of about 500 million tones of met coal reserves by 2019-20 and
- (iii) To meet the requirements and to serve the organizational aspirations of other participating companies like CIL, NTPC and NMDC by providing a facility for enhancing and leveraging their domain knowledge and human capital for international mining business development and also for procuring high quality thermal coal for companies like NTPC.

4. This SPV 'Coal Ventures International' has been empowered to exercise the powers of a Navratna company without being formally accorded Navratna status. For acquiring access to assured supplies of coal overseas Coal Ventures International would pursue various strategies like the prospecting route, other innovative methods as well as market operations.

5. Approval has been accorded for setting up of SPV as a company under the Companies Act with an initial authorized capital upto Rs.10,000 crores and an

initial equity capital of up to Rs.3,500 crores to be contributed by the members progressively based on investment opportunities, comprising the following equity participants from the public sector – SAIL (Rs.1000 crores), RINL (Rs.500 crores), CIL (Rs.1000 crores), NTPC (Rs.500 crores) and NMDC (Rs.500 crores) with eventual provision for inducting private sector partners also, as and when warranted. This SPV would be empowered with the autonomy and freedom currently accorded to Navratna companies, without formal Navratna status.

6. In the case of investment proposals of 'Coal Ventures International' exceeding Rs.1500 crores in each instance, Government have approved the formation of a Committee of Secretaries to approve overseas investment proposals for acquiring metallurgical and thermal coal assets; with the proviso that the recommendations of this Committee in each case will be brought before the Cabinet directly for approval.

7. The composition of this empowered Committee of Secretaries is as follows:-

i. Secretary (Steel)	-	Chairman
ii. Secretary (Finance)	-	Member
iii. Secretary (MEA)	-	Member
iv. Secretary (Power)	-	Member
v. Secretary (Coal)	-	Member
vi. Secretary (Mines)	-	Member
vii. Secretary (Law)	-	Member
viii. Secretary (DPE)	-	Member

8. The Ministry of Steel (VSP Desk) will provide secretarial assistance to this empowered Committee of Secretaries.

This issues with the approval of the competent authority.

**Copy of Ministry of Coal letter No.13011/7/2007-CA-II dated 9.9.2009**

**Subject: Formation of an empowered Committee of Secretaries with mandate to consider and recommend proposals of Coal India Limited to invest abroad.**

I am direct to refer to CIL's letter No.CIL.CV.07-08:MOC:454 dated 31.07.2007 and letter No.CIL.CV.07-08:MOC:10:155 dated 04.06.2007 on the above subject and to convey the approval of the Government on the proposal of formation of an Empowered Committee of Secretaries with mandate to consider and recommend proposals of Coal India Limited to invest abroad in the manner as prescribed in the following paras.

i) The Empowered Committee of Secretaries constituted earlier for considering proposals to be taken up by the SPV set up jointly by SAIL/RINL/NTPC/NMDC/CIL for acquiring coal properties abroad, will also consider proposals for CIL investments in coal assets abroad, which are beyond the powers of the CIL Board. The recommendations of the Empowered Committee will be placed before the CCEA for approval. A representative of the Planning Commission would be included in the aforesaid Committee.

ii) The present Empowered Committee of Secretaries consists of Secretaries from Ministry of Steel, Ministry of Power, Ministry of Coal, Ministry of Finance, Ministry of External Affairs and Ministry of Law & Justice.

2. The CIL Board may consider such proposals, for investments abroad subject to the following guidelines:

- I. CIL will be looking for opportunities overseas for undertaking projects in Exploration, Development and Production areas. These opportunities would come either from the Government or the national coal companies or private companies or consortia of such companies of the overseas countries. CIL should evaluate these opportunities on techno-economic considerations in a transparent manner and could use either departmental services for evaluation or appoint consultancy firms for such evaluation/audit.
- II. Such a proposal should be put up to the full Board of Directors including part-time professional non-official Directors. The decision of the CIL Board should be based on techno-economic parameters for international ventures and should take into account the consideration of socio-political risks, technology transfer, strategic entry into a particular area/country etc.
- III. CIL should be free to pursue overseas opportunities either on standalone basis or through joint ventures or through wholly owned subsidiaries. Such opportunities would be exploited under various arrangements used in the International oil industry like production sharing contracts, concessionary arrangements, service contracts, etc. The policy and procedures of

authorities like RBI and other rules and regulations of Government of India, as laid down from time to time, shall be observed by CIL.

- IV. The CIL Board shall select partner for overseas ventures on the basis of evaluation of criteria such as its past performance, work experience, financial and technical capabilities.
- V. The CIL Board shall be empowered to take decisions on exploration, development and production projects involving investment up to the limits as may be permitted from time to time for investments in projects outside the country.
- VI. The Empowered Committee of Secretaries constituted earlier for considering proposals to be taken up by the SPV set up jointly by SAIL/RINL/NTPC/NMDC/CIL for acquiring coal properties abroad, will also consider proposals for CIL investments in coal assets abroad, which are beyond the powers of the CIL Board. Such proposals for investment abroad will be submitted to the Empowered Committee for its recommendations and for placing before the CCEA for approval.
- VII. There shall not be any budgetary support from the Government to CIL's overseas ventures.
- VIII. An annual investment cap in respect of the projects to be taken up in any year shall be decided by the administrative Ministry in consultation with the Ministry of Finance on a year to year basis for the overseas projects of CIL.
- IX. The Board of CIL should be competent to re-appropriate funds from within the approved list of projects within the annual investment cap.
- X. The Board of CIL shall ensure that adequate representation is given to the company in the management and operation of its overseas project. The extent of representation should be commensurate to their contribution.
- XI. The progress and performance of the overseas projects of CIL shall be monitored by a Committee headed by Secretary, Ministry of Coal with representatives of Ministry of External Affairs, Planning Commission, Department of Expenditure and Department of Public Enterprises.
- XII. The Ministry of Coal in consultation with Ministry of External Affairs should lay down the list of countries, for which CIL shall have the powers to undertake exploration, production and development projects. Specific approval would be obtained by CIL for undertaking any exploration in other countries not specific in the list.
- XIII. The Action Taken Report in the matter, if any, may be communicated to this Ministry at the earliest.

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No. 16(4)/2010-GM  
Government of India  
Ministry of Heavy Industries and Public Enterprises  
Department of Public Enterprises

Block No. 14, CGO Complex,  
Lodi Road, New Delhi - 110003  
Dated the 29<sup>th</sup> December, 2011

**OFFICE MEMORANDUM**

**Subject:** Constitution of a Coordinating Committee of Secretaries for Policy for acquisition of Raw Material Assets abroad by Central Public Sector Enterprises (CPSEs).

The Government has approved the Policy for acquisition of Raw Material Assets abroad by CPSEs in order to ensure availability of adequate quantities of raw material which is crucial for the growth of manufacturing sector and also for the economy as a whole. This policy would be applicable to CPSEs in Agriculture, Mining, Manufacturing and Electricity Sectors. In order to implement this policy, an integrated mechanism is being put in place which can be relied upon by the concerned CPSEs and the Ministries.

2. Accordingly, it has been decided to set up a Coordinating Committee of Secretaries with the following composition:-

- |  |   |          |
|--|---|----------|
| i. Cabinet Secretary   | - | Chairman |
| ii. Member-Secretary, Planning Commission  | - | Member   |
| iii. Finance Secretary   | - | Member   |
| iv. Secretary, Ministry of External Affairs  | - | Member   |
| v. Secretary, Department of Legal Affairs  | - | Member   |
| vi. Secretary, Department of Public Enterprises  | - | Member   |
| vii. Secretary of the administrative Ministry/Department<br>of the concerned CPSE whose proposal is being considered | - | Member   |

The above Committee would co-opt any other Secretary(s), considered relevant to decision making as member(s).

3. The mechanism of Empowered Committee of Secretaries set up by M/o Petroleum & Natural Gas and by M/o Steel shall continue to function and consider proposals for acquisition of raw materials abroad beyond the powers delegated to the Boards of concerned CPSEs. Other Ministries are also similarly authorized to notify the ESC mechanism after vetting by Finance Ministry and D/o Public Enterprises.

.....2/-

Proposals, which are beyond the powers of the Board of CPSEs and require a coordinated approach or budgetary support, would be considered by Coordinating Committee of Secretaries (CCoS). This Committee would, if required, facilitate a consortium approach in high value or strategically important acquisitions.

The following class of proposals for acquisition of raw material assets abroad by CPSEs would be put up before the Coordinating Committee of Secretaries and would not be required to be routed through the Empowered Committee of Secretaries:

- (i) Proposals where the administrative Ministry/CPSE requests for a coordinated view even though acquisition is with CPSE's funds and the investment falls within the delegated powers of the Boards of the CPSE giving reasons also for its request.
- (ii) All proposals for acquisition of raw material overseas by CPSEs involving Government funds, before such proposals are placed before the CCEA.

4. The above Committee shall add value to the proposals of acquisition of raw material assets abroad by CPSEs before they are considered by the Cabinet Committee on Economic Affairs by considering the following issues:

- (i) Avoiding competition among Indian companies
- (ii) Reconciling interests of the nation viz-a-viz those of the CPSE(s) in the event of a conflict
- (iii) Providing a forum for sharing of available experience
- (iv) Facilitating quick, coordinated decision making
- (v) Exploring the possibility of infrastructure development in the target country
- (vi) Coordinating grant of concessional credit to foreign enterprise/ Government, in return for long term commitment for the supply of natural resources.
- (vii) Recommending government funding, and its nature (grant, loan or equity), for the overseas investment proposal.

5. The above Committee will be serviced by a Special Cell, to be set up in the Department of Public Enterprises (DPE) which would undertake only coordination related activities in close cooperation with concerned Ministries.

6. Once a CPSE/Ministry decides to approach the above Committee, it would submit necessary details of the proposal to the DPE. DPE would circulate the details of the said proposal to the members of the above Committee on acquisition of raw material assets abroad for their comments. The concerned CPSE/Ministry would nominate a nodal officer with regard to their acquisition proposal, to ensure complete coordination with the cell in DPE/Committee.

.....3/-



7. The DPE would as early as possible but not later than two weeks from the receipt of the details of the proposal, convene a meeting of the above Committee on acquisition of raw material assets abroad to take a view, including on whether or not the proposal should be pursued on a standalone basis or whether the proposal should be taken up as an umbrella approach by a consortium of different CPSEs/private sector companies, or negotiated as a package deal. The above Committee would also decide on the infrastructure that can be developed as a part of the package and other assistance that can be offered including soft loans, educational, scientific, cultural, health and social infrastructure.

*Ar*  
(Arun Kumar Sinha)  
Joint Secretary to the Government of India  
Tel : 2436-0204

To

*o/c*

1. Cabinet Secretary, Rashtrapati Bhavan, New Delhi
2. Principal Secretary to the Prime Minister, PMO, South Block, New Delhi
3. Member-Secretary, Planning Commission, New Delhi
4. Secretary, Ministry of External Affairs, South Block, New Delhi
5. Finance Secretary, Ministry of Finance, North Block, New Delhi
6. Secretary, Department of Legal Affairs, Shastri Bhawan, New Delhi
7. Secretary, Department of Public Enterprises, CGO Complex, Lodhi Road, New Delhi
8. Secretaries of all administrative Ministries/Departments

*(As per attached list)*

*Issued*

*Am*

*4.1.2012*

No. 16(4)/2010-GM  
Government of India  
Ministry of Heavy Industries and Public Enterprises  
Department of Public Enterprises

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Block No.14, CGO Complex,  
Lodi Road, New Delhi-110003  
Dated the 23<sup>rd</sup> January, 2012

**OFFICE MEMORANDUM**

**Subject: Policy for Acquisition of Raw Material Assets abroad by Central Public Sector Enterprises (CPSEs).**

The undersigned is directed to refer to this Department's O.M. of even number dated 24<sup>th</sup> October, 2011 enclosing a copy of the Policy for Acquisition of Raw Material Assets abroad by Central Public Sector Enterprises (CPSEs).

2. Para 21 of the above policy mentions that 'the Ministry of External Affairs (MEA) would advice suitable guidelines with regard to association of MEA and its missions abroad in this process. MEA would also issue an advisory to the missions abroad to actively participate in the process of acquisition of raw materials by the Indian Companies and also glean through any information on possibilities in this regard and share with the concerned Ministries'.

3. In terms of above provisions, the MEA has issued an advisory to its Diplomatic Missions abroad vide its letter no. 3557/Secy(ER)/2011 dated 30<sup>th</sup> December, 2011(copy enclosed).

4. In another letter no. 3557/Secy(ER)/2011 dated 30<sup>th</sup> December, 2011 addressed to Secretary(DPE), the MEA has formulated the following guidelines for CPSEs covered under this Policy.

- I. CPSEs may bring to the attention of MEA/Mission at the very initial stage i.e. at the stage of preliminary information and due diligence (as outlined in the policy document.)
- II. At an early stage of the due diligence process, CPSEs may wish to undertake a consultation procedure with MEA/Mission to develop possible value addition to the original proposal. Such value additions may include infrastructure or development in the target country, leveraging existing lines of credit extended to target country, harmonizing other diplomatic/commercial initiatives with that country etc.
- III. Inform MEA at all stages with respect to Government-to-Government interaction required to expedite the acquisition.


...2/-

- IV. Energy Security (ES) Division will be the nodal Division in MEA for this purpose. The nodal Division may be invited to participate in meetings or consultations that deal with decision making or policy or negotiations with foreign governments in specific cases. Contact details of the Division are as below :

**Mr. Prabhat Kumar**  
Joint Secretary (Energy Security),  
Ministry of External Affairs,  
Room # 3055, Jawaharlal Nehru Bhawan,  
23-D, Janpath, New Delhi-110011.  
Phone : 4901-5185, Fax : 4901-5186  
email : [jses@mea.gov.in](mailto:jses@mea.gov.in)

5. All the administrative Ministries/Departments are requested to take note of the above guidelines and advisory issued by MEA and bring it to the notice of CPSEs under their respective administrative control for their further necessary action under intimation to DPE.

Encl : As stated above

  
(Arun Kumar Sinha)  
Joint Secretary to the Government of India  
Tel : 2436-0204


To Secretaries of all administrative Ministries/Departments (by name)

o/c

Copy to (for information) :-

1. Cabinet Secretary, Rashtrapati Bhavan, New Delhi.
2. Principal Secretary to the Prime Minister, PMO, South Block, New Delhi.
3. Member-Secretary, Planning Commission, Yojna Bhavan, New Delhi.
4. Foreign Secretary, Ministry of External Affairs, South Block, New Delhi.
5. Finance Secretary, Ministry of Finance, North Block, New Delhi.
6. Secretary, Department of Legal Affairs, Shastri Bhavan, New Delhi.
7. Secretary, Department of Public Enterprises, CGO Complex, New Delhi.

Issued

  
24.1.2012



**No. 3557/Secy (ER)/2011**

**December 30, 2011**

**Subject: New Policy of Government of India for acquisition of raw material assets abroad.**

**Dear HOM,**

Ministry of Heavy Industries and Public Enterprises, Department of Public Enterprises (DPE) has circulated a new policy on acquisition of raw material assets abroad by Indian Central Public Sector Enterprises (CPSEs). A copy of DPE's OM no 16(4)/2010-GM dated 24<sup>th</sup> October 2011 is attached for ready reference. Our Ministry was consulted during the drafting stage and inputs provided by MEA have been incorporated in the policy; I draw your attention to para 21 of the OM, in particular.

2. In summary, it may be noted that under the new policy, CPSEs proposing to acquire raw material assets abroad have been given the flexibility to act on any credible information, undertake the necessary due diligence in an expeditious manner and present the proposal to the Board of the concerned CPSE. While formulating proposals, CPSEs have been given the freedom to explore the feasibility/desirability of setting up JVs or Special Purpose Vehicles should it be required legally or financially. CPSE Boards have been given enhanced delegated financial powers. For proposals beyond the powers of the Board, the concerned administrative Ministries will notify an Empowered Committee of Secretaries (ECS) mechanism. For proposals beyond powers of the Board or requiring a coordinated approach, or GOI budgetary support, there will be a Coordinating Committee of Secretaries (CCOS) mechanism. The CCOS would be serviced by the DPE, whose role would be to ensure that

the CCOS is convened within two weeks of receipt of proposal. A special cell would be created in the DPE for this purpose.

3. In the process of acquisitions being pursued by CPSEs, inputs from our Missions abroad will be critical, and Missions may be called upon to provide timely and accurate information to supplement the information already sourced from elsewhere. Inputs will also be required by the Ministry, which will be represented on the ECS or CCOS, and would be called upon to add value to the proposals. Accordingly, inputs from Missions on competing Indian companies abroad, the possibility of infrastructure development in the target country, coordinating grants of concessional credit, etc. will be relevant.

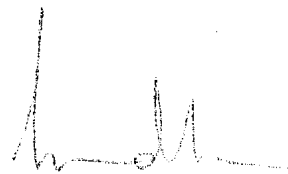
4. Paragraph 21 of the policy clearly states that CPSEs would, right from the beginning of the process keep the Ministry and the concerned Mission associated in the decision making process. We are issuing guidelines for the CPSEs in this regard(copy enclosed).

5. Missions would be entrusted with the following responsibilities with respect to the new policy:

- I. Missions should actively participate in the process of acquisition of raw materials by CPSEs;
- II. Missions should collect information on likely raw materials in which investment by CPSEs is possible and share such intelligence with concerned Ministries;
- III. Missions should look at possibilities of infrastructure development, grant of concessional credit or extending a line of credit or grant or any such initiatives which could facilitate and add value to successful acquisition, and make their considered recommendations in this regard.

- IV. Energy Security division will be the nodal division with respect to raw materials acquisition initiatives, and Missions should keep it in the picture with respect to the process and progress made in the relevant CPSEs' efforts.
- V. Missions should provide relevant inputs for meeting of ECS and CCOS on acquisition of raw materials abroad, whenever called upon to do so.
6. These are important issues, and Missions' active involvement would go a long way in making a success of the initiative.

With warm regards,



(Sudhir Vyas)

**Copies for information:**

1. Foreign Secretary
2. Secretary (West)
3. Secretary (East)
- ✓ 4. Shri D.R.S. Chaudhary, Secretary, Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises: With reference to his D.O. No. 16(4)/2011-GM dated 27<sup>th</sup> October, 2011.