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.

Encl: As stated above

To Secretaries of all administrative Ministries/Departments
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

(ii) Secretary, Department of Expenditure

(iii) Secretary, Planning Commission

(iv) Secretary of the concerned Administrative Ministry/Department

Chairman
Member
Member
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 Maharashtra status would be placed before the Minister (HI&PE) for a decision.

4. **Delegation of powers to Maharashtra CPSEs**

4.1 The boards of Maharashtra 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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