

**Department of Public Enterprises**  
**Ministry of Heavy Industries & Public Enterprises**

**About the Department:**

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

**2. Major Activities of Department of Public Enterprises:**

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

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

**3. Public Sector Enterprises Survey:**

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

**Highlights of the performance of CPSEs for the last 3 years  
(2012-13 to 2014-15)**

Particulars	Performance during			% growth over previous year
	2012-13	2013-14	2014-15	
Total Number of CPSEs	277	290	298	2.76
No of Operating CPSEs	230	234	235	0.43
Investment (Rs. Crore)	845334	992096	1096057	10.48
Reserves & Surplus (Rs. Crore)	684477	746994	771672	3.30
Total Turnover (Rs. Crore)	1945814	2066057	1995902	-3.40
Overall Profit (Rs. Crore)	114981	128295	103003	-19.71
Profit of profit making CPSEs (Rs. Crore)	143543 (151 CPSEs)	149636 (164 CPSEs)	130363 (157 CPSEs)	-12.88
Loss of loss making CPSEs (Rs. Crore)	28562 (78 CPSEs)	21341 (70 CPSEs)	27360 (77 CPSEs)	28.20
Dividend paid by CPSEs (Rs. Crore)	49703	65115	56527	-13.19
Contribution to the Central Exchequer (Rs. Crore)	163211	220982	200585	-9.23
Foreign Exchange Earnings by CPSEs (Rs. Crore)	139228	145196	103071	29.01
Employment (in numbers)	1401519	1349142	1291174	-4.30
Market Capitalization	1116889	1102730	1327127	2.35

The ratio of total turnover of Rs. 19,95,902 Crore to the Gross Domestic Products (GDP) of Rs. 125,41,208 Crore at current market price during 2014-15 stood at 15.91 %.The major contribution of the production is coming from petroleum, coal, steel electricity, power generation and marketing of services

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

The Board for Reconstruction of Public Sector Enterprises (BRPSE ) was wound up on 9<sup>th</sup> November, 2015 to streamline the multiple mechanism for revival of sick CPSEs , pursuant to the decision of the Government (Cabinet) on 7.10.2015. . DPE has issued on 29.10.2015 guidelines for “Streamlining the mechanism for revival and restructuring of sick/ incipient sick and weak Central Public Sector Enterprises: General

principles and mechanism of restructuring" to be followed by the administrative Ministries /Departments in preparation of proposals for revival/restructuring or closure of CPSEs under their administrative control in a time bound manner.

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

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

## **5. Memorandum of Understanding (MoU):**

MoU is a mutually negotiated agreement between the management of CPSEs and the Government of India/Holding Company to evaluate management performance of CPSEs through objective criteria.

Salient features of MoU Guidelines 2016-17 issued by DPE are as follows:

- a) All CPSEs are required to sign MoUs. A single format for all CPSEs (Form I) has been prescribed except CPSEs under construction (Form II) and CPSEs under closure (Form III).
- b). The targets should be in conformity with those approved by NITI Aayog, Ministry of Finance, Administrative Ministry/Department and other statutory or regulatory bodies.
- c) The terms used in the Guidelines are same as defined in Schedule III or elsewhere in The Companies Act, 2013, applicable Ind AS/ Accounting Standards unless otherwise specified. All financial figures are to be taken on the basis of Audited Annual Accounts or Annual report.
- d) Introduction of Additional Eligibility criteria for CPSE's getting Excellent rating & other than Excellent rating has been done.
- e) Result oriented parameters have been inserted in MoU 2016-17 to measure profitability and efficiency parameters such as Capacity Utilization, revenue from Operations, Profitability Parameters with higher weightage, Trade Receivable as percentage of Revenue from operations, Inventory as percentage of Sale of products. Efficiency parameters (physical operations) have been incorporated. The efficiency parameters would be against benchmarks.

f) CAPEX parameter weightage has been increased in the range of 15-20 marks,. CAPEX target shall be fixed keeping in mind viable projects available for expansion, modernization or diversification, cash and bank available or parked funds, net worth, borrowings etc. In addition, there is parameter in MoU 2016-17 for monitoring of CAPEX contracts/ projects running/ completed during the year without time/ cost overrun. Parameter of Borrowing/ Net worth introduced for leveraging of Net worth for CAPEX and other economic/ business activities.

A description of MoUs evaluated during the last three years is as under.

<b>Item</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Total MoUs Signed	198	197	196	197	214
Evaluation Report Submitted	161	175	189	187	200

A comparison of the MoU ratings secured by the CPSEs in the last 5 years is as under:-

<b>Rating</b>	<b>Yearwise ratings secured by CPSEs</b>				
	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Excellent					
V. Good	67	76	75	76	74
Good	44	39	39	38	51
Fair	24	33	37	36	42
Poor	24	25	36	29	26
Total	02	02	02	08	07
	161	175	189	187	200

## **6. Counselling Retraining & Redeployment Scheme:**

DPE is implementing a social safety net scheme titled, Counselling, Retraining & Redeployment (CRR) Scheme to provide opportunities of self / wage employment to the employees or dependents of Central Public Sector Enterprises (CPSEs) separated under Voluntary Retirement Scheme (VRS) / Voluntary Separation Scheme (VSS) or retrenched due to closure / restructuring of the enterprise. The Scheme aims at providing short duration skill development/entrepreneurship development training programmes to equip the beneficiaries for self/wage employment.

During the last two years, i.e., 2014-15 and 2015-16, skill development/entrepreneurship development training to 5525 separated employees/dependents of CPSEs has been provided through 26 Employees Assistance Centres (EACs) of nodal agencies in the areas/trades such as computer related courses, mobile repairing, welding, motor winding, screen printing, etc. Plan funds of Rs. 5.20 crore (RE) has been allocated during 2014-15 and 2015-16 under CRR. In 2016-17 also training to 3000 separated employees/dependents of CPSEs is proposed with plan allocation of Rs.3.00 crore. Number of trainees in last two years, i.e., 2014-15 and 2015-16 is approximately 500 more as compared to 2012-13 and 2013-14.

## **7. Permanent Machinery of Arbitration:**

Permanent Machinery of Arbitration (PMA) has been set up in Department of Public Enterprises for resolving commercial disputes, between CPSEs *inter-se* as well as between a CPSE and a Central Government Department/Ministry/Banks/ Port Trusts (except tax matters and Ministry of Railways) in 1989.

The disputes of above nature are required to be referred to Department of Public Enterprises for reference to the Arbitrator of PMA. The Arbitration Act, 1996 is not applicable in these cases. The parties argue their case before the Arbitrator. Based on written records and oral evidence, the Arbitrator publishes an award. An appeal against the award of the Arbitrator can be made to the Secretary, Ministry of Law, for setting aside or revision of the award. The decision of Secretary, Ministry of Law is final and binding on the parties and no appeal can be made in any Court of Law/Tribunal against the decision.

The PMA is designed to be self-supporting and the disputants are required to share equally the Arbitration Fee. During the last five years 169 new cases were considered by PMA in addition to a backlog of 41 cases. During the period, 164 cases (79% of the total pending cases) have been decided by PMA.

## **8. Autonomy to CPSEs**

The endeavour of the Government is to make Central Public Sector Enterprises (CPSEs) autonomous board managed companies. Government has granted enhanced powers to the Boards of the profit making enterprises under various schemes like Maharatna, Navratna and Miniratna by delegating powers in the areas of (i) capital expenditure, (ii) investment in joint ventures/subsidiaries, (iii) mergers & acquisitions, (iv) human resources management, etc.

Presently there are 7 Maharatna CPSEs, 17 Navratna CPSEs and 73 Miniratna CPSEs.

## **9. Corporate Governance & Professionalization of Board in CPSEs**

Corporate Governance implies transparency of management systems and encompasses the entire mechanics of the functioning of the company by putting in place a system of checks and balances between the shareholders, directors, auditors and the management.

Government approved introduction of Guidelines on Corporate Governance for all CPSEs on mandatory basis in March, 2010 covering issues like composition of Board of CPSEs, Audit Committee, Remuneration Committee, Subsidiary companies, Disclosures, Code of conduct and ethics, Risk management and reporting.

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

## **10. Non official Directors (NODs) in CPSEs**

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

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

## **11. Categorization of CPSEs**

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

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

As on 31.3.2015, there are 64 Schedule 'A', 68 Schedule 'B', 45 Schedule 'C' and 4 Schedule 'D' CPSEs.

## **12 Corporate Social Responsibility (CSR) & Sustainability**

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

DPE has issued Guidelines on Corporate Social Responsibility (CSR) & Sustainability-2014 for CPSEs in October, 2014. DPE guidelines focus on sustainable development and inclusive growth to address the basic needs of the deprived, under privileged, neglected and weaker sections of the society which comprise of SC, ST, OBCs, minorities, BPL families, old and aged, women / girl child, physically challenged, etc. CPSEs should also give priority to the issues which are of prime concern in the national development agenda, like safe drinking water for all, provision of toilets especially for girls, health and sanitation, education, etc.

As per available information in respect of 121 CPSEs, the 2% of average PBT for these 121 CPSEs for 2014-15 works out to be Rs. 3479.80 crore. Against this, the total CSR spending in 2014-15 for these 121 CPSEs is Rs. 2443.00 Crore.

## **13. Rationalization of old/ obsolete BPE/DPE guidelines**

Rationalization of old/ obsolete BPE/ DPE guidelines done after a review of approx. 635 such guidelines a revised Compendium containing 320 guidelines has been published in 2016 for the benefit of CPSEs and their concerned administrative Ministries/ Departments. This compendium published after a gap of almost ten years is available on the website of DPE.