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 year 2017-18

Total Number of CPSEs	339
No of Operating CPSEs	257
Investment (Rs. Crore)	13,73,412
Reserves & Surplus (Rs. Crore)	9,42,295
Total Turnover (Rs. Crore)	21,55,948
Overall Profit (Rs. Crore)- Operating CPSEs	1,28,374
Profit of profit making CPSEs (Rs. Crore)	1,59,635 (184 CPSEs)
Loss of loss making CPSEs (Rs. Crore)	31,261 (71 CPSEs)
Dividend paid by CPSEs (Rs. Crore)	76,578
Contribution to the Central Exchequer (Rs. Crore)	3,50,052
Foreign Exchange Earnings by CPSEs (Rs. Crore)	86,980
Employment (in numbers)	10,88,140
Market Capitalization (Rs. Crore)	15,22,041

The ratio of total turnover of Rs. 21,55,948 Crore to the Gross Domestic Products (GDP) of Rs. 170,95,005 Crore at current market price during 2017-18 stood at 12.61%.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 9th November, 2015 to streamline the multiple mechanism for revival of sick CPSEs , pursuant to the decision of the Government (Cabinet) on 7.10.2015. . DPE has issued on 29.10.2015 guidelines for "Streamlining the mechanism for revival and restructuring of sick/ incipient sick and weak Central Public Sector Enterprises: General principles and mechanism of restructuring" to be followed by the administrative Ministries /Departments in preparation of proposals for revival/restructuring or closure of CPSEs under their administrative control in a time bound manner.

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

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

5. Memorandum of Understanding (MoU):

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

Salient features, of the existing MoU Guidelines issued by DPE vide OM dated 17.01.2019, are as follows:-

a) There would be uniform parameters for measuring financial performances such as revenue from operations. Operating profit and return on investment (e.g. ratio of

PAT/Net-worth). This would be applicable to all CPSEs, except CPSEs which are dependent on government grant or performing functions of distribution of grants etc.

b) For the remaining, a menu of parameters has been suggested for selection depending on the sector in which the CPSE is operating. The parameters most appropriate and relevant for measuring performance shall be suggested by the Pre-Negotiation Committee (PNC) to the Inter-Ministerial Committee (IMC). In all the cases IMC shall take appropriate decision on the suggestions made by PNC.

c) The draft MoU with all documents / Annexures should be sent to DPE after the approval of administrative Ministry / Department. Administrative Ministry / Department would ensure that the targets are realistic, growth oriented, aspirational and consistent with the latest Annual report, Budget and Corporate plan of the CPSE.

d) MoU based on the parameters, targets and weightage recommended by IMC without any deviation shall be signed between CMD/MD of CPSE and Secretary of administrative Ministry/Department is case of holding/independent CPSEs and between CEO/MD of subsidiary company and CMD/MD of holding CPSE in case of subsidiary.

e) Evaluation of MoU of the CPSE is done after the end of the year on the basis of actual achievements vis-à-vis the MoU targets. CPSEs (Holding as well as Subsidiaries) are required to submit performance evaluation reports on the basis of audited accounts to Department of Public Enterprises after approval of the Board of CPSE and through the administrative Ministries/Departments.

f) MoU score is an aggregate of score on all parameters with respect to performance vis-à-vis the targets. With a view to distinguish 'excellent performance' from 'poor performance', five different performance ratings have been fixed in the MoU, i.e., 'Excellent', 'Very Good', 'Good', 'Fair', and 'Poor'.

g) Score and rating is subject to fulfilling additional criteria failing which aggregate MoU score would be reduced by 1 mark for each instance of non-compliance subject to maximum of 5 marks and the rating is modified accordingly.

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

Item	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**
Total MoU Signed	197	214	215	231	196
Evaluation Report Submitted	187	200	191	198	187

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

Rating	Number of CPSEs under each rating over Years				
	2013-14	2014-15	2015-16	2016-17	2017-18
Excellent	76	73	57	49	49
V. Good	38	53	58	54	39
Good	36	41	28	40	33
Fair	29	26	22	31	31
Poor	08	7	26	24	18
Total	187	200	191	198	170*

* 17 CPSEs have submitted their MoU evaluation after approval of score/rating for the year 2017-18 by the High-Powered Committee (HPC) on MoU.

6. Counselling Retraining & Redeployment(CRR) Scheme:

DPE is implementing Counselling, Retraining & Redeployment (CRR) Scheme as a social safety net to provide opportunities of self / wage employment to the employees or dependents of Central Public Sector Enterprises (CPSEs) separated under Voluntary Retirement Scheme (VRS) / Voluntary Separation Scheme (VSS. The aim of retraining of the employees is to reorient them through short duration skill training to enable them to adjust to the new environment and adopt new avocations after their separation from the CPSEs. Since the year 2001-02 to 2017-18, around 1.92 lakh VRS/VSS optees/dependents have been imparted training and around 89000 redeployed.

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

CRR scheme - 2017-18/2018-19

During the year 2017-18, an allocation of Rs. 2.67 crore (RE) was made for the CRR scheme. The assigned target for coverage of 2000 VRS/VSS optees/dependents has been achieved and 1371 (68%) redeployed (self/wage employment). During the year, skill training was imparted at 17 locations by 4 empanelled Training Partners (TPs). Some of the trades of training include Retail Sales Associate, Inventory Clerk, Assistant Electrician, Fitter- Mechanical Assembly, Domestic Data Entry Operator, Light Motor Vehicle Driver, Electrical Technician, Small Poultry Farmer, Beauty Therapist, CCTV Technician etc.

The target for the year 2018-19 to cover 2000 VRS/VSS optees/dependents with allocation of Rs. 3.96 crore (RE) has been achieved. NSDC has engaged four Training Partners for imparting skill training at 13 locations in states like, Chattisgarh, Jharkhand, Odisha, and West Bengal and U.T. of Andaman Nicobar & Island. Post training follow-up is in progress. Final figure of placement will be known after completion of assessment and certification.

7. Autonomy to CPSEs:

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

Presently there are 8 Maharatna CPSEs, 16 Navratna CPSEs and 73 Miniratna CPSEs.

8. Corporate Governance & Professionalization of Board in CPSEs:

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

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

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

9. Non official Directors (NODs) in CPSEs:

Non official (independent) Directors are an essential part of the Boards of CPSEs and head important committees like the Audit Committee and Remuneration Committee. The exercise of enhanced autonomy and powers delegated under the Ratna schemes by the CPSEs is also contingent on the appointment of minimum prescribed number of NODs on their Boards. The 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.

10. Categorization of CPSEs:

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

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

As on June 2019, there are 65 Schedule 'A', 66 Schedule 'B', 45 Schedule 'C' and 4 Schedule 'D' CPSEs.

11. 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 for undertaking CSR activities as per items listed in Schedule-VII of the Act.

DPE has issued an advisory dated 10th December, 2018 to the CMDs/ MDs of CPSEs and all other concerned which, inter-alia, provide adoption of a theme based approach for undertaking CSR activities, to spend 60% of annual CSR allocation for thematic programmes and give preference to the aspirational districts under their CSR. For the current financial year 2019-20, school education, healthcare & nutrition has been taken as the theme for focused intervention.

Department of Public Enterprises in collaboration with IIT Bombay has set up a CSR Study Unit known as DPE-IITB project at Centre for Technology Alternative in Rural Areas (CTARA), IIT Bombay. The CSR Unit will undertake PAN - India study of all CSR eligible CPSEs in the country and the impact assessment of CSR activities / projects undertaken by CPSEs as per provisions of Companies Act, 2013 and also to build projects and programmes for interested CPSEs and make an annual review of CSR projects by the CPSEs.

As per available information in respect of 153 CPSEs, the 2% of average PBT for these 153 CPSEs for 2017-18 works out to be Rs. 3693.47 crore. Against this, the total CSR expenditure in 2017-18 by these 153 CPSEs is Rs. 3442.42 crore.

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

It has been DPE's constant endeavour to keep the guidelines current, relevant and up-to-date. Therefore, the guidelines have been rationalized after a review and 203 guidelines are contained in the latest Compendium entitled **"Guidelines for Administrative Ministries/Departments and Public Sector Enterprises, 2018".** Besides, 40 guidelines have been merged and 430 have been archived. A list of these merged and archived guidelines have also been published in the compendium and available on the website of Department of Public Enterprises.

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