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REVIEW OF LOSS MAKING CPSUs

MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES
(DEPARTMENT OF PUBLIC ENTERPRISES)

COMMITTEE ON PUBLIC UNDERTAKINGS (2018-19)

TWENTY FOURTH REPORT

SIXTEENTH LOK SABHA

LOK SABHA SECRETARIAT
NEW DELHI

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(DEPARTMENT OF PUBLIC ENTERPRISES)

Presented to Lok Sabha on 20.12.2018
Laid in Rajya Sabha on 20.12.2018

LOK SABHA SECRETARIAT
NEW DELHI

20 December,2018/ 29 Agrahayana,1940(Saka)

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COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS (2018-19)

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Lok Sabha

2. Shri L.K. Advani
3. Shri Ramesh Bais
4. Shri G. Hari
5. Dr. Khambhampati Haribabu
6. Shri Boianappalli Vinod Kumar
7. Shri Ajay Nishad
8. Shri Prahlad Singh Patel
9. Shri Nagendra Kumar Pradhan
10. Prof. Saugata Roy
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Rajya Sabha

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19. Shri Shamsher Singh Manhas
20. Shri Ram Vichar Netam
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22. Shri C.M. Ramesh

SECRETARIAT

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2.	Shri R. C. Tiwari	Joint Secretary
3.	Shri G.C. Prasad	Deputy Secretary

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Shri Shanta Kumar - Chairperson

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8. Shri Ajay Nishad
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11. Prof. Saugata Roy
12. Adv. Narendra Keshav Sawaikar
13. Shri Ravneet Singh
14. Shri Sushil Kumar Singh
15. Shri Rameswar Teli

Rajya Sabha

16. Shri Narendra Budania
17. Shri Naresh Gujral
18. Shri Shamsher Singh Manhas
19. Shri Praful Patel
20. Shri A.K. Selvaraj
21. Shri Tapan Kumar Sen
22. Shri Ram Chandra Prasad Singh

COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (2016-2017)

Shri Shanta Kumar - Chairperson

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8. Shri Shivaji A. Patil
9. Shri Ajay Nishad
10. Shri Ram Sinh Rathwa
11. Shri Narendra Keshav Sawaikar
12. Shri B. Senguttuvan
13. Shri Sushil Kumar Singh
14. Shri Kalikesh Narayan Singh Deo
15. Shri Rameshwar Teli

***Rajya* Sabha**

16. Shri Narendra Budania
17. Shri Ram Narain Dudi
18. Shri Naresh Gujral
19. Shri Praful Patel
20. Shri A.K. Selvaraj
21. Shri Tapan Kumar Sen
22. Shri Ram Chandra Prasad Singh

COMPOSITION OF THE
COMMITTEE ON PUBLIC UNDERTAKINGS (2015-2016)

Shri Shanta Kumar - Chairperson

Members

Lok Sabha

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3. Shri Ramesh Bais
4. Shri Pankaj Chaudhary
5. Shri Nand Kumar Singh Chauhan
6. Shri Biren Singh Engti
7. Shri Feroze Varun Gandhi
8. Dr. Khambhampati Haribabu
9. Shri Baijayant Panda
10. Shri Prahlad Patel
11. Shri Rayapati Sambasiva Rao
12. Shri Ram Sinh Rathwa
13. Prof. Saugata Roy
14. Shri B. Senguttuvan
15. Shri Sushil Kumar Singh

Rajya Sabha

16. Shri Narendra Budania
17. Shri Muthukaruppan
18. Shri Praful Patel
19. Shri Rangasayee Ramakrishna
20. Shri C.M. Ramesh
21. Shri Tapan Kumar Sen
22. Shri Ramchandra Prasad Singh

INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2018-19), having been authorized by the Committee to submit the Report on their behalf, present this Twenty-fourth Report on 'Review of Loss Making CPSUs'.

2. The predecessor Committee on Public Undertakings (2015-16) had taken up this subject for detailed examination and report. The subject was subsequently carried forward by the successor Committees in 2016-17, 2017-18 and 2018-19. The Committee on Public Undertakings took oral evidence of Department of Public Enterprises, Department of Heavy Industries, Department of Telecommunications, Department of Fertilizers, Department of Pharmaceuticals, Confederation of Indian Industry, National Institute of Public Finance and Policy, NITI Aayog and 12 CPSUs viz. Bharat Sanchar Nigam Limited (BSNL), Air India Limited, Fertilizers and Chemicals (Travancore) Limited (FACT), Hindustan Antibiotics Limited (HAL), Mahanagar Telephone Nigam Limited (MTNL), Bharat Petro Resources Limited (BPRL), Instrumentation Limited (IL), Hindustan Paper Corporation Limited (HPC), Hindustan Steelworks Construction Limited (HSCL), Security Printing and Minting Corporation of India Limited (SPMCIL), Steel Authority of India Limited (SAIL), Hindustan Machine Tools Limited (HMT Limited). The Committee also obtained written replies from NBCC India Limited.

3. The Committee considered and adopted the draft Report at their sitting held on 20 November, 2018.

4. The Committee wish to express their thanks to the representatives of the aforesaid Departments / Organizations / Institutions and these 12 CPSUs for tendering their evidence before the Committee and furnishing the requisite information in connection with the examination of the subject.

5. The Committee also wish to express their sincere thanks to the predecessor Committees for their endeavours in examination of the subject.

6. For facility of reference and convenience, the Observations / Recommendations of the Committee have been printed in bold letters in Part - II of the Report.

New Delhi
14 December, 2018
23 Agrahayana, 1940 (S)

SHANTA KUMAR
Chairperson,
Committee on Public Undertakings.

ACRONYMS

BBJ	Braithwaite Burn and Jessop Construction Limited
BCCL	Bharat Coking Coal Limited
BHEL	Bharat Heavy Electricals Limited
BPCL	Bharat Petroleum Corporation Limited
BPRL	Bharat Petro Resources Limited
BRL	Bharat Refractories Limited
BSL	Bokaro Steel Limited
BSNL	Bharat Sanchar Nigam Limited
BWA	Broadband Wireless Access
C-DOT	Centre for Development of Telematics
C&I	Control & Instrumentation
CCEA	Cabinet Committee on Economic Affairs
CDMA	Code Division Multiple Access
CEDB	Central Engineering and Design Bureau
CII	Confederation of Indian Industry
CMTS	Cable Modem Termination System
CPM	Cachar Paper Mill
CPSUs	Central Public Sector Enterprises
DoT	Department of Telecommunication
DHI	Department of Heavy Industries
DTO	Department of Telecom Operations
DTS	Department of Telecom Services
FACT	Fertilizers and Chemicals (Travancore) Limited
FTTH	Fiber to the Home
FDI	Foreign Direct Investment
GoI	Government of India
GoK	Government of Kerala
GDP	Gross Domestic Product
GSM	Global System for Mobile
HAL	Hindustan Antibiotics Limited
HEC	Heavy Engineering Corporation
HMT Ltd.	Hindustan Machine Tools Limited
HPC	Hindustan Paper Corporation Limited
HPCL	Hindustan Petroleum Corporation Limited
HR	Human Resource
HSL	Hindustan Steel Limited
HSCL	Hindustan Steelworks Construction Limited
IISCO	Indian Iron and Steel Company Limited
IL	Instrumentation Limited
IN	Intelligent Network
IOCL	Indian Oil Corporation Limited
IPTV	Internet Protocol Television
ISDN	Integrated Services Digital Network
ISRO	Indian Space Research Organization
L&T	Larsen and Turbo

LSA	Licensed Service Areas
MAT	Minimum Alternate Tax
MECON	Metallurgical and Consultants (India) Ltd.
MNC	Multi National Company
MTNL	Mahanagar Telephone Nigam Limited
NHPC	National Hydroelectric Power Corporation
NMDC	National Mineral Development Corporation
NPCIL	Nuclear Power Corporation of India Limited
NTPC	National Thermal Power Corporation Limited
OFC	Optical Fibre Cable
ONGC	Oil and Natural Gas Corporation Limited
PGCIL	Power Grid Corporation of India Limited
RINL	Rashtriya Ispat Nigam Limited
SAIL	Steel Authority of India Limited
SPMCIL	Security Printing and Minting Corporation of India Limited
SSL	Salem Steel Limited
STCL	State Trading Corporation of India Limited
UPS	Uninterrupted Power Supply
USOF	Universal Service Obligation Fund
VAS	Value Added Services
VRS	Voluntary Retirement Scheme
VSS	Voluntary Separation Scheme

REPORT

PART - I

I. INTRODUCTORY

In the last seven decades, CPSUs have contributed significantly towards making India self- reliant in their respective fields. In addition to physical assets, these have developed significant competencies with regard to human resources, intellectual property, research etc. and have always served the national priorities, over narrow business interests. Following the advent of economic reforms since 1991, the Government has aimed at creating a vibrant and dynamic market with the open entry of the private sector in most industry and services sectors barring a few strategic sectors. This strategy has been immensely successful and has helped create a strong and flourishing market with dynamic entrepreneurs. The policy of opening up to FDI has made India an attractive investment destination as one of the most open economies in the world. In this context, CPSUs which have made a stellar contribution to the nation, lack competitiveness on account of multiplicity of goals. While CPSUs in some sectors continue to serve the purpose of national interest, others have been continuously making losses over the years. It is pertinent to mention here that certain CPSUs came into being decades ago by taking over private sector enterprises which were facing operational losses in order to protect jobs. In the present scenario, loss-making CPSUs which suffer from operational inefficiencies or face technology obsolescence are seen as a drain on Government resources and the right remedies for them could unlock significant potential for the Government in meeting its social sector obligations. This is substantiated by the fact that the total loss made by the loss making CPSUs during 2016-17 is ₹ 25,045 crore as compared to ₹ 30, 759 Crore during 2015-16.

1.1 As per the Public Enterprises Survey 2016-17, there are 257 operating CPSUs out of which 174 CPSUs are profit making and 82 CPSUs are loss making. One CPSU *viz.* Food Corporation of India neither earned profit nor made any loss. The details of overall performance of CPSUs during the last 10 years is given at **Annexure-I**. The list of 82 CPSUs that made losses during 2016-17 is given at **Annexure-II**. In successive chapters of the report, the Committee have examined in detail the aspects impacting the performance of the loss making CPSUs and have given their observations/recommendations in Part II of the report.

II. BACKGROUND

2.1 CPSUs are key and strategic actors in the nation's economy providing essential goods and services and holding a dominant market position in critical sectors such as Petroleum, Power, Steel, Mining, and Transportation. CPSUs are also operating in competitive markets such as Telecommunication and Information Technology, Hospitality etc. The CPSUs are increasingly under pressure both from the government and business environment competition to achieve their goals more effectively and efficiently. Along with other public sector majors such as State Bank of India in the Banking sector, Life Insurance Corporation in the Insurance sector, Post & Telegraph in Telecom sector and Indian Railways in Transportation, several CPSUs are leading companies of India with significant market-shares in sectors such as petroleum, (e.g. IOCL, ONGC, GAIL, HPCL, and BPCL), Mining (e.g. Coal India Ltd. and NMDC), Power Generation (e.g. NTPC and NHPC), Power Transmission (e.g. Power Grid Corporation of India Ltd), Nuclear Energy (e.g. Nuclear Power Corporation of India Ltd), Heavy Engineering (e.g. BHEL), Aviation (e.g. Hindustan Aeronautics Ltd. and Air India Ltd), Storage and Public Distribution (e.g. Food Corporation of India and Central Warehousing Corporation), Shipping and Trading (e. g. Shipping Corporation of India Ltd, and State Trading Corporation of India Ltd), Steel (e.g. Steel Authority of India Ltd and Rashtriya Ispat Nigam Ltd) and Telecommunication (e.g. BSNL and MTNL).

<u>Top 10 Profit and Loss Making CPSUs</u>

2.2 As per Public Enterprises Survey 2016-17,Indian Oil Corporation Limited, Oil & Natural Gas Corporation Ltd., and Coal India Ltd were ranked first, second and third respectively amongst the top ten profit making CPSUs contributing 19.69%, 18.45% and 14.94% respectively to the total profit earned. The top ten profit making companies claimed 63.57% of the total profit made by all the 174 profit making CPSUs during the year. Provisional estimate of GDP at current prices in 2016-17 was ₹ 151.84 lakh crore as against the GDP of ₹ 136.82 lakh crore for the year 2015-16, recording a growth rate of 10.97 % during the period. The Gross Turnover of CPSUs has increased in 2016-17 by 6.54% to ₹ 19,54,616 crore from ₹ 18,34,635 crore in 2015-16 whereas the profit of profit making CPSUs increased by 5.28% to ₹ 1,52,647 crore in 2016-17 from ₹ 1,44,998 crore in 2015-16.

2.3 Bharat Sanchar Nigam Limited, Air India Limited and Mahanagar Telephone Nigam Limited were the three highest loss making CPSUs during 2016-17. The top ten loss making companies claimed 83.82% of the total losses made by all the 82 CPSUs during the year. These top three loss making CPSUs incurred a loss equal to 55.66% of the total loss by the top ten loss making CPSUs in 2016-17. Hindustan Cables Ltd., Bharat Heavy Electricals Limited, and ONGC Videsh Limited, who had incurred losses last year, have made profits this year, while Western Coalfields Ltd., STCL Limited, Air India Engineering Services Limited and Brahmaputra Crackers and Polymer Ltd. have entered into top ten loss making CPSUs during the year 2016-17.The total loss of loss making CPSUs decreased by 18.58 % to ₹ 25,045 crore from ₹30,759 crore during the same period. Overall, aggregate net profit reported by all 257 CPSUs is ₹ 1,27,602 crore as against ₹ 1,14,239 crore reported in the year 2015-16, thus showing a growth in overall profit of 11.70% as against a growth of 11.06% in 2015-16. The number of profit making CPSUs have increased from 164 in 2015-16 to 174 in 2016-17, and the number of loss making CPSUs have increased from 79 to 82 during the same period. One CPSU, namely Food Corporation of India neither earned profit nor incurred loss during 2015-16 and 2016-17. The loss of loss making CPSUs stands at ₹ 25,045 crore in financial year 2016-17 as compared to ₹ 30,759 crore in financial year 2015-16 showing decrease of 18.58%.

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Contribution to the Central Exchequer

2.4 CPSUs contribute to the Central Exchequer by way of dividend payment, interest on government loans and payment of taxes & duties. As per the Public Enterprises Survey 2016-17, due to increase in contribution of all the components (except interest) to Central Exchequer, the total contribution of CPSUs to the Central Exchequer during the year 2016-17, has increased from ₹ 2,713,841 crore in 2015-16 to ₹ 3,85,579 crore in 2016-17 showing an increase of 39.78% .

Sector-wise Key ratios of CPSUs

2.5 The DPE Survey 2016-17 contains the following Table providing the performance of CPSUs with regard to five key ratios i.e. Return on Net worth, Return on Equity, Return on Assets, Net Profit Margin and PBIT margin, which are actual indicators of their performance and efficiency:

Sector	Return on net worth (%)		Return on Equity (%)		Return on Assets (%)		Net Profit Margin (%)		PBIT Margin	
	2016-17	**2015-16**	**2016-17**	**2015-16**	**2016-17**	**2015-16**	**2016-17**	**2015-16**	**2016-17**	**2015-16**
Agriculture	-11.82	-21.07	-11.82	-21.07	-2.08	-3.55	-3.08	-7.29	5.61	4.86
Manufacturing, Processing & Generation	13.52	10.90	13.44	10.82	4.73	3.82	5.47	4.37	9.30	7.53
Mining & Exploration	15.53	15.19	14.01	14.62	7.99	8.84	20.50	21.31	28.83	30.68
Services	5.27	5.69	5.26	5.67	1.20	1.32	3.99	4.06	12.31	12.61
Total	**11.52**	**10.58**	**11.14**	**10.42**	**3.74**	**3.58**	**7.00**	**6.48**	**12.53**	**11.85**

Reasons for CPSUs going under loss

2.6 As the Central Public Sector Enterprises (CPSUs) operate under dynamic market conditions, there are bound to be uncertainties & fluctuations in their performances. Some CPSUs have, however, been incurring losses continuously for the last several years. The reasons for losses/ sickness in CPSUs vary from enterprise to enterprise. However, some common problems for sickness in CPSUs as has come out during the course of deliberations include old and obsolete plant and machinery, outdated technology, low capacity utilization, low productivity, poor debt-equity structure, excess manpower, weak marketing \ strategies, stiff competition, lack of business plans, dependence on Government. orders, heavy interest burden, high input cost, resource crunch, etc. Further, many CPSUs that did not evolve with liberalization and opening up of the economy lost ground very quickly to private companies.

NITI Aayog

2.7 NITI Aayog had set up an Inter-Ministerial Committee to review sick/loss making non-performing CPSEs. The Committee was chaired by Vice Chairman, NITI Aayog, with Member (Shri Bibek Debroy), NITI Aayog, CEO, NITI Aayog , Secretary (DIPAM), Secretary(DHI), Secretary (DPE) and Joint Secretary (Department of Expenditure). Committee has submitted its Report to the PMO.

The Department of Disinvestment, Ministry of Finance, issued an Office Memorandum dated 29‘h February 2016 conveying the CCEA’s approval of the procedure and mechanism for strategic disinvestment. According to the memorandum, NITI Aayog was entrusted with the following functions:

i. To identify the CPSEs for strategic disinvestment;
ii. To advise the government on mode of sale and percentage of shares to be sold; and
iii. To suggest methods for valuation of the CPSE.

2.8 The Inter-ministerial Committee submitted a Report with recommendations on 74 CPSUs as under :-

Sl. no.	Recommendation	Number of CPSUs
1.	Recommended for closure	26
2.	Recommended to be given on long-term lease or transfer	05
3.	Recommended for merger with the present CPSE	03
4.	Recommended for maintaining Status-Quo	02
5.	Recommended for Strategic Sales/Disinvestment	10
6.	Recommended for revival with subsequent option for Disinvestment	22
7.	Recommended for transfer/sale to the State Governments	06
	TOTAL	74

2.9 The list of the 74 loss making CPSUs studied by the Inter-Ministerial Committee along with the recommendations is given at ***Annexure-III.***

2.10 When asked about the nature of consultations sought by CPSUs/their administrative Ministries from NITI Aayog regarding revival/restructuring of sick/loss making CPSUs, NITI Aayog in their written replies stated as under :-

'As its first reference point, the Committee on sick/loss making CPSEs chose to look at the recommendations made by the Committee of Secretaries (CoS) chaired by the Cabinet Secretary in July 2015, which had considered and made recommendations regarding 48 sick/loss-making Central Public Sector Enterprises (CPSUs). the CoS had consulted the representatives of the 48 CPSUs and their administrative ministries before making its recommendations. As its first exercise, the Committee reviewed the recommendations of the CoS, using updates on the action taken on the CoS recommendations from the respective administrative Department/Ministry, and by examining the latest available facts about the CPSU. Subsequently, the Committee has made its own recommendations for each of these 48 CPSUs.

The Committee also decided to consider 26 other sick/lossmaking CPSUs that were not under the remit of the previous CoS but which were referred to it by the Department of Public Enterprises as sick (ten) or incipient sick (sixteen) CPSUs. Since the representatives of these 26 CPSEs and their administrative ministries had not had the benefit of making a prior presentation to the CoS of July 2015, the Committee decided to hold consultations with the leadership of these CPSEs and officials from the respective department/ministry, before making recommendations.'

2.11 NITI Aayog in a written note, however, clarified as under :

'The Report of NITI Aayog's Committee on of sick /loss making non performing CPSUs contains only recommendations. The final decision in this regard rests with the administrative Ministries of the CPSUs.

Regarding the number of cases, NITI Aayog concurs with the proposals of the CPSUs /their administrative ministries/Departments, NITI Aayog stated that it examines the proposal on case-to-case basis.'

2.12 The Committee examined in detail 12 CPSUs that were in loss during 2015-16 viz. Instrumentation Limited (IL), Hindustan Machine Tools Limited (HMT Limited), Hindustan Paper Corporation Limited (HPC), Bharat Sanchar Nigam Limited (BSNL), Mahanagar Telephone Nigam Limited (MTNL), Steel Authority of India Limited (SAIL), Hindustan Steelworks Construction Limited (HSCL), Fertilizers and Chemicals (Travancore) Limited (FACT), Hindustan Antibiotics Limited (HAL), Bharat Petro

Resources Limited (BPRL), Security Printing and Minting Corporation of India Limited (SPMCIL) and Air India Limited. The Committee held oral evidences of representatives of not only these CPSUs but also their administrative Ministries /Departments. The reasons for losses, the remedial measures taken by the Government to overcome the losses and other aspects affecting the performance of CPSUs are explained in subsequent Chapters of the Report.

III. STUDY OF LOSS MAKING CPSUs IN DIFFERENT SECTORS

3.1 The Committee made a detailed study of select loss making CPSUs from Industrial, Telecommunication, Fertilizers, Steel and Civil Aviation sectors. However, two cases were found to be different, i.e. BPRL, a wholly owned subsidiary of Bharat Petroleum Corporation Limited (BPCL) that was reported to be running under losses and SPMCIL, a CPSU under the Department of Economic Affairs that reported loss in 2015-16. The Committee noted that the study of BPRL as a loss making PSU was premature as production in Exploration & Production of oil and gas has a gestation period of about 10-15 years, and held that this Company could be categorized as an 'under construction' Company instead of a 'loss making' Company as it was expected to begin production in 2017. The Company later reported to have earned a profit of ₹ 48 Crore during the financial year 2016-17. Similarly, the Committee noted that SPMCIL reported loss during 2014-15 due to specific reasons, i.e. revision in selling price of circulating coins and postal items retrospectively by the Government of India. Although the Committee took the evidences of the representatives of BPRL and SPMCIL, they have not made any critical observations on these two CPSUs in their report for reasons explained above.

3.2 In this Chapter, the Committee have analyzed sector-wise reasons for losses made by CPSUs and other problems faced by CPSUs in their operations and functions. The study made by the Committee on loss making CPSUs from different sectors is detailed in the succeeding paragraphs.

A. <u>Industrial Sector</u>

3.3 Public sector enterprises were set up to serve the broad macro-economic objectives of higher economic growth, self-sufficiency in production of goods and services, long term equilibrium in balance of payments and low and stable prices besides meeting certain socio-economic obligations. The CPSUs are key and strategic actors in the nation's economy providing essential goods and services and holding a dominant market position in critical sectors such as Petroleum, Power, Steel, Mining, and Transportation. The CPSUs are also operating in competitive markets such as Telecommunication and Information Technology, Hospitality etc. The CPSUs are increasingly under pressure by both the government and business environment competition to achieve their goals more effectively and efficiently. Despite that, CPSUs are developing as leading companies of India with significant market-shares in sectors such as petroleum, Mining Power Generation, Power Transmission, Heavy Engineering (e.g. BHEL).

3.4 There are 31 CPSUs under the administrative control of Ministry of Heavy Industries and Public Enterprises, Department of Heavy Industries (DHI) out of which 12 CPSUs are loss making and 8 CPSUs plus Divisions of 2 CPSUs are under closure/liquidation. The performance of these 22 CPSUs under DHI alongwith the recommendations of NITI Aayog and their present status is given in ***Annexure - IV***.

3.5 When asked about major reasons for the CPSUs in the industrial sector to go under loss, the Department of Heavy Industries (DHI), in their post evidence replies, stated that the loss making enterprises suffer from a number of factors including poor order book, shortage of working capital, surplus manpower and obsolete plant and machinery, difficulty to adjust to changing market products / technology / competition, besides increase in the cost of inputs etc. Several CPSUs have problems of large work force and huge overheads, far above the industry norms.

3.6 When asked to explain remedial measures taken by DHI to bring the CPSUs out of losses, it was stated as under:

> 'DHI reviews functioning of CPSUs under its administrative control from time to time wherein appropriate response to the performance of individual CPSUs (loss making or otherwise) is determined in consultation with stakeholders. CPSUs found chronically sick are taken up for closure down after payment of attractive Voluntary Retirement Scheme (VRS)/ Voluntary Separation Scheme (VSS) and due compensation to employees. The Government has decided to close some CPSUs which were incurring huge losses since long and had no potential for turn-around in the current economic scenario'.

3.7 When asked whether NITI Aayog has reviewed and given their recommendations/observations on all the CPSUs under DHI, the Department stated as under:

'NITI Aayog has since reviewed all CPSUs under DHI except two namely BHEL and BBJ Construction Company Ltd. They have given their recommendations in respect of 24 CPSUs so far, on which appropriate actions have been taken or is being taken. DHI has been generally associated with the review exercise conducted by NITI Aayog and given its inputs / opinion in respective cases. Generally, there has been agreement on the recommendations made by NITI Aayog except in a few cases where the views of DHI have been different. For example, NITI Aayog recommended for handing over of HEC to the State Government of Jharkhand but DHI has held the view that the Company is catering to the strategic requirements of the country with its unique facilities and therefore should be allowed to continue and supported for refurbishment and up-gradation of its manufacturing facilities'.

3.8 The Committee studied three loss making CPSUs under DHI viz. Instrumentation Limited, HMT Ltd., and Hindustan Paper Corporation Limited as given below.

INSTRUMENTATION LTD.

3.9 Instrumentation Limited (IL), Kota was established in 1964 as a fully Government owned CPSU to cater to the growing Control & Instrumentation (C & I) needs of Core Industrial sectors viz. Power, Steel, Oil Refinery etc. and help to achieve self reliance in this field. The company has its Registered Office & Headquarters at Kota, Rajasthan and manufacturing plants at Kota for Digital Control System, Telecom Products, Railway Signaling products etc. and at Palakkad, Kerala for Control Valves/ Actuators. Both the manufacturing plants are accredited with ISO 9001:2008 series certification. With over fifty years of experience in the field of Control & Instrumentation (C & I), IL has developed considerable expertise in system design, detailed engineering, manufacturing, testing, system integration, installation and final commissioning to after sales service and customer training. The company takes pride for having supplied Control & Instrumentation Systems on turn-key basis to over 300 Thermal Power stations set up by State Electricity Boards, NTPC and private sector companies and Steel plants of SAIL and RINL. Besides executing C & I projects on turn-key basis, the company has supplied state of the art Digital Control System and other products to Refineries, Oil & Gas, Petrochemicals and Chemical plants and undertaken maintenance and services contracts.

3.10 IL had also forayed into Telecommunication by having technical tie-up with Center for Development of Telematics (C-DOT), a Telecom Technology Center of Government of India for its switching products. IL was one of the major suppliers of C-DOT Digital switching systems in India and had supplied systems to almost all Telecom Circles of DOT. Exchanges supplied by IL are working satisfactorily at more than 300 locations. IL also made an entry in the Railway Signaling field by successfully executing a turnkey job for two wayside stations in Kota Division of Western Railway involving design, engineering, manufacturing, and supply of material for the provision of Panel interlocking system at these stations. The product range of the company comprised of SBC panels, LIE/LIR panels, Peizo electric generator, sophisticated Digital Distributed Control systems, High Performance Smart Electronic Pressure and Temperature Transmitters, Defence electronics, Railway signaling systems, desk/panel mounted controllers, indicators, recorders and other hardware, liquid and gas analyzers with sample handling and conditioning system, annunciation system, panels, instrument cabinet and racks, Telecommunication systems, IT based applications, Uninterrupted Power Supply Systems (UPS), Flow elements, Control valves, actuators, power cylinders etc. IL had further successfully diversified in the fields of IT enabled Products & services, M governance, Hologram, Third party Inspection, Power Distribution and Transmission, Off-shore Instrumentation, Security & Surveillance system and related areas. The client base of the company comprised almost all Thermal Power and Steel Plants in the country and all renowned establishments like BHEL, IOCL, GAIL, BSNL, Indian Railways, NTPC, SAIL, RINL, NPCIL , ONGCL, HPCL , L&T, RIL, GNFC, GSFC, etc.

3.11 In the background note furnished to the Committee, the Company cited globalization of the Indian economy, excessive manpower and shortage of working capital as some of the main reasons for incurring losses by the Company. When asked as to how the Company is running into losses while private Companies involved in manufacturing business of the same products are making huge profits, DHI replied as follows:-

'Till 1991 prior to liberalization, the company with the tie up with foreign collaborators, supplied Control & Instrumentation equipment to cater to the needs of the Country. However, post Liberalization, collaborators became IL's Competitors and therefore IL had to match the prices of the products with their counterparts. The Business on less profit Margins could not meet the direct and indirect expenses and therefore the company started incurring losses. Post Liberalization the Company started incurring losses and was declared as sick industrial company in 1994. A rehabilitation scheme for revival of the company could be approved in 1999. But since the revival scheme SS-99 could not be implemented fully the company continued to incur losses and by this time most of the inventory of company became obsolete, Manpower rendered surplus as the targeted turnover could not be achieved and inability of State Electricity Board to pay the dues of the company resulted in accumulation of sundry debtors, which squeezed the working capital of the company.'

3.12 When asked how globalization impacted the profit of the Company and what measures were taken to counter globalization, DHI in their written replies submitted as under:-

'The Company was operating in the field of process control Instrumentation which is highly technology oriented and requires continuous technology upgradation to keep pace with the global, market demands. Post liberalization, IL could not keep pace with the changing technology and the MNCs became competitors of the Company which resulted in immense competition and wafer thin margins. The company made efforts for diversification in the field of Telecom based on DoT technology and other fields like

Railway Signaling, UPS, Precision components for defence sectors. The Company though benefitted with the steps taken, however the total turnover of these measures were not sufficient to bring the company out of losses.'

3.13 When asked whether IL has been examined by NITI Aayog, DHI stated in their written replies that a draft Cabinet Note was circulated to all stakeholders including the NITI Aayog to offer their comments on the proposal for closure of Instrumentation Ltd, Kota and in principle approval of transfer of the IL, Palakkad Unit to Government of Kerala.

3.14 The observations of NITI Aayog on the issue are as follows:

(i) Even after receiving the DHI's response to the queries raised, the NITI Aayog is not in a position to give final comments on the CCEA Note because several of the processes which would eventually lead to the transfer of the Palakkad Unit of IL, to Kerala Government are still work in progress items without any firm indication.

(ii) NITI Aayog would like to know the outcome of the meeting of Government of Kerala(GoK) and DHI which was to be conveyed by mid-September, 2016 and which was to take place after legal and financial due diligence of the Palakkad Unit had been conducted by the GoK.

(iii) Further, DHI has mentioned the "proposed transfer of the Palakkad Unit involves transfer of assets and liabilities of the Palakkad Unit. Committees have been constituted. Valuation of assets of the unit is being carried out". NITI Aayog would like to know the outcome of deliberations of these Committees.

(iv) It is only when the GoK has given a final nod to accept the transfer of the Palakkad Unit and when the terms of that transfer (including the transfer of assets and liabilities) is final that it is possible to take a view on the draft CCEA note. The closure of Instrumentation Ltd, Kota cannot be viewed in isolation from the transfer of IL, Palakkad.'

3.15 In a background note submitted to the Committee, IL submitted that the Company has tried to venture into new business areas under (i) Make in India initiative (ii) Digital India initiative and (iii) Skill India initiative to bring its units out of losses.

3.16 When asked as to what extent the Company got benefitted from venturing into new business areas, the Company stated as under:

'Kota Unit of Instrumentation Ltd. is closed and Palakkad unit has taken all the MoUs and AMC business in this financial year. The company is likely to benefit from diversification activities. However, benefits of these diversification would be seen in the financial results of 2017-18.'

HMT LIMITED

3.17 HMT Ltd., a Central Public Sector Enterprise under the Ministry of Heavy Industries and Public Enterprises of the Government of India was established at Bangalore in 1953 with the objective of producing Machine Tools required for building an industrial edifice for the country. HMT played a key role in laying the foundation for evolution of engineering and manufacturing capabilities in the country. The Company diversified into Tractor manufacture by establishing the HMT Tractor Division at Pinjore, Haryana in 1971. HMT Limited is a listed Company. The Company has an authorized Share Capital of ₹. 2100 crore with a Paid-up capital of ₹.1240.95 crore as on 31 March 2017. The Government of India holds 93.69% of the shares.

3.18 Performance of the company started to decline in the '90s, in the post liberalisation economic environment with rising costs, stiff competition from international players and availability of imported goods at cheaper rates. In the year 2000, the Machine Tool and Watches Businesses were subsdiarized while Tractors and Food Processing Machinery Business was managed by the Holding Company. Several other efforts were made to arrest the declining trend but were not successful.

3.19 HMTL's profit making tractor business was affected due to poor off-take, under-utilisation of capacity and working capital constraints, etc. The Company was provided a revival package in April-2013. However, the Tractor Division could not revive itself due to various factors including rising costs, technology gap, market conditions, working capital constraints etc. It degenerated substantially with mounting pending dues towards salaries, statutory dues, suppliers & service providers as well as erosion of working capital and increase in accumulated losses. This led to gross insufficiency of the working capital and affected Production / Sales.

3.20 On examination of a proposal for consolidation of HMT Group Companies, it was observed that continuation in Tractor Business with its insignificant market share of less than 1% in the sector may not be a financially viable and sustainable option for HMT Ltd., and hence it would be prudent to close the tractor business, make an exit from this segment and focus on the core sector of machine tools. The proposal for closure of Tractor Division was approved by the Cabinet in its meeting held on 27.10.2016 which included budgetary support for introduction of an attractive VRS/VSS package for all the employees, payment of outstanding Salaries/Wages and other statutory dues, settlement of outstanding liabilities to banks and creditors etc.

3.21 850 of the 1001 employees availed the benefit of VRS and have been since relieved. An amount of ₹.543.68 cr. has already been released towards salaries and statutory due of Tractor Division and for payment of VRS/VSS compensation on notional 2007 pay scales to HMT Limited. The Company has received the order for closure and retrenchment of employees as per I D Act from the Ministry of Labour. However, some of the employees who did not opt for VRS have filed a case in the Hon'ble High Court of Punjab & Haryana against closure decision of Cabinet. The next date of hearing was stated to be 30.1.2018.

3.22 Three subsidiaries viz. HMT Watches Limited, HMT Chinar Watches Limited and HMT Bearings Limited were also approved for closure by CCEA and closure process is under progress.

HINDUSTAN PAPER CORPORATION LIMITED (HPC)

3.23 Hindustan Paper Corporation (HPC), a wholly owned Government. of India Enterprise, was set up on 29th May, 1970 in the backdrop of paper famine under the administrative control of Ministry of Heavy Industries & Public Enterprises. The objective of the Company was

i) To spearhead economic development of the Region.
ii) To generate gainful employment.
iii) To exploit the natural resources available in the region.

3.24 There are two units under HPC i.e. Nagaon Paper Mill at Jagiroad, Dist. Morigaon (60 Kms from Guwahati) and another is Cachar Paper Mill (CPM) at Panchgram, Hailakandi (30 Kms from Silchar). Both the units are having an installed capacity of 1 lakh tonne per annum and are designed to undertake bulk production of quality writing & printing variety of paper. Cachar Paper Mill is situated in an industrially backward & infrastructurally deficient region with transportation bottleneck where movements of inputs were dependent on 117 years old meter gauge railway tracks till recently.

3.25 HPC was set up in the North Eastern Region basically on the premises of abundant availability of bamboo in the vicinity of the Mills and also in the neighbouring States and also the abundant availability of coal in the state of Meghalaya. Despite facing severe locational & logistical constraints, CPM achieved full capacity production during FY 2005-06 and FY 2006-07 and HPC was a profit making, dividend paying company since FY 2005-06 to FY 2008-09 as a Mini Ratna Company. HPC also bagged MoU excellent award for the FY 2005-06 and FY 2007-08 from Government of India.

3.26 The capacity utilization of CPM started declining since 2008-09 due to non- availability of bamboo, the basic input for Paper, owing to gregarious flowering. The situation got further aggravated due to imposition of restrictions on transportation and supply of bamboo from the state of Mizoram wherefrom 60% of the total requirement of CPM was used to come. On account of non availability of bamboo, capacity utilization was hovering around 52%. This fluctuating capacity utilization at CPM pushed the cost up on account of which HPC posted net loss. Even then Management tried to float the Company by continuing production & sales and also by providing regular salary & wages to all the employees'.

3.27 The Committee were informed that Intervention at highest levels in the Ministry ultimately has helped in resumption of bamboo from the State of Mizoram during end of January, 2014 and capacity utilization started improving since that time, as a result, CPM achieved a production level of 74,670 MT in FY 2014-15. Despite facing all odds, CPM in particular started gearing up to strike optimum capacity utilization.

3.28 Citing another difficulty, it was informed that National Green Tribunal on May / June 2014 has imposed ban on rat hole mining of coal in the State of Mizoram for protection of environment but it has also its share of miseries brought for Cachar Paper Mill which was set up primarily on the premises of abundant availability of coal in the state of Mizoram. Recently, CPM got connected with Broad Gauge facility through which any input from outside of North Eastern Region could be brought at minimum freight.

3.29 As per the latest status, the Committee were informed that both the Mills of the Hindustan Paper Corporation are stopped for non availability of working capital and payment of salary & wages coupled with other employees' related payment has been stopped for last 12 - 14 months. The Company has statedly submitted its Financial Restructuring plan which is yet to be approved. Meanwhile, the Company has appointed one Transaction Advisor for the appointment of Operation & Management Partner for which activities are on.

B. Telecommunication Sector

BHARAT SANCHAR NIGAM LIMITED (BSNL)

3.30 BHARAT SANCHAR NIGAM LIMITED (BSNL) was formed by corporatization of the erstwhile Department of Telecom Services & came into being on 1st October 2000. The company has taken over the erstwhile functions of the Department of Telecom in respect of provision of telecom services across the length and breadth of the country excluding Delhi & Mumbai. BSNL is a 100% Government. of India owned Public Sector

Undertaking with an authorized share capital of ₹. 17,500 Crore and paid up capital of ₹. 12,500 Crore comprising of ₹. 5,000 Crore of Equity and ₹. 7,500 Crore of Preference shares capital. The Net worth of BSNL is ₹. 43,668 Crore as on 31 March 2016. Its annual revenue during 2015-16 was ₹. 32,411 Crore, and during 2016-17 is ₹ 31,533 Crore. BSNL is a technology-oriented integrated telecom service providing company which provides the following services:

1. Wire line Services
2. GSM Mobile Services including 3G & Value added Services(VAS)
3, Internet and Broadband services including Fiber to the Home (FTTH)
4. WLL Limited Mobility Services
5. Wi-Fi services
6. Data Center Services
7. Intelligent Network (IN) services viz. Pre paid Calling cards etc.
8. Enterprise Data Services such as Leased circuits, MPLS VPN etc
9. National Long Distance Services
10. International Long Distance Services

3.31 BSNL employs 1.89 Lakh personnel as on 31 October 2017, most of them were transferred from erstwhile Department of Telecom Operations (DTO) & Department of Telecom Services (DTS). The Group 'B' officers and Group 'C' & 'D' officials have been absorbed in BSNL.

3.32 The BSNL is running into losses since Financial Year 2009-10. The reasons to incur losses in BSNL are as follows:-

BSNL is providing telecom services in remote and hilly areas in various states e.g. Himachal Pradesh, Uttarakhand, J&K, North East, Chhattisgarh, A&N Islands and Lakshadweep Islands through satellite and Point to Point Radio Links. Point to Point Radio links were also provided in backbone network in other part of the Country. For using point to point links huge spectrum charges are to be paid to WPC. Similarly, satellite transponders charges are payable to ISRO for satellite links, which are very huge. Due to this, BSNL is incurring huge losses for providing services in the remote areas where optical fibre cable connectivity is either not reliable or not feasible. The optical fibre cable (OFC) Network of BSNL is being damaged severely during road expansion and it has become very difficult for BSNL to maintain the OFC network, which is a backbone for all services. To overcome this problem, BSNL is compelled to hire bandwidth from other Operators like PGCIL, Oil India Limited and RailTel. PGCIL's network is working on electric lines (OPGW) and RailTel Network is along Railway lines. Therefore, OFC Network of these operators is not affected by road widening/expansion work. BSNL is spending about ₹125 Cr. Per annum towards hiring of bandwidth from other operators.

3.33 Due to above factors, BSNL is incurring huge loss in Eastern Zone, North East Region and Himalayan States. Further the Market dynamics have changed in the last 5 to 6 years in Telecom market because of the entry of more number of operators, which has put lot of pressure on Tariff. In order to meet the challenges of competition, BSNL has decided to restructure its set up by creating Business wise Verticals. Besides factors mentioned in the statement, additional reasons for poor performance of the BSNL are given below:

(a) BSNL has to follow the defined guidelines prescribed for PSUs which sometimes lead to inherent delays whereas the private companies are not bound by those procedures.

(b) BSNL had to pay approx. ₹.18,000 Crore towards payment of spectrum charges for 3G and BWA for PAN India license. Thus, BSNL did not have any choice for selecting the Circles as per the flexibility available with private operators.

(c) BSNL has to spend on services for social obligations and the network in rural areas like VPTs and fixed line telephone exchanges which need to be maintained even though the revenue is much less as compared to expenditure.

(d) BSNL has provided services in remote areas like Andaman & Nicobar and Lakshadweep islands where the cost of bandwidth is much more than the revenue being earned by BSNL.

(e) Poor customer service because of attitude of legacy manpower.

(f) Traditionally BSNL focused on its core business for providing technical services and there was no focus on Sales & Marketing.

3.34 As far as basic telephony is concerned, the Committee have been apprised by BBNL that their subscriber base has declined for last few years due to following main reasons.

(a) 'It is a global trend and can be observed all over the world that with increased penetration of Mobile Telephony, the subscriber preference has been shifted from landline to mobile drastically and thus there is a reduction in number of Landline connections. This has resulted in BSNL also, substitution of basic telephones by mobile phones.

(b) Earlier there was a trend of subscribers having multiple Landline numbers and now with multiple mobiles with each member of family, there has been a surrender of extra wire line telephones and their substitution by personal mobile phones. In fact, the trend is still continuing for substitution of wireline telephones by mobile phones and shifting of demand from basic to mobile connections which provide greater convenience at highly competitive rates. However, measures are adopted/ being adopted by BSNL to retain and enhance its landline connectivity by increasing penetration of Broadband.

(c) Due to expansion of GSM services, CDMA services became less popular and as on date CDMA technology is obsolete technology. BSNL CDMA customer base as well as revenue is continuously decreasing in BSNL. However, other private operators like Reliance Communication and TTSL have also closed CDMA service in Assam, North East-I, North East-II and some other Licensed Service Areas (LSAs). Due to negative trends, BSNL has not purchased any CDMA equipment after 2009 and there is no investment plan in CDMA business. Considering the negative trend, BSNL has already closed CDMA service in Bihar, Jharkhand, U.P (West), Uttaranchal, Punjab & Kolkata Telecom District.'

3.35 On the issue of obsolete technology, the C&AG of India in their Report no. 20 of 2015 (Union Government-Communications & IT Sector) had commented upon the failure by BSNL to provide good quality GSM network at competitive tariffs leading to erosion of its subscriber base and loss of assured revenue of ₹ 100 crore.

3.36 When asked to submit suggestions on how the Company can be made profit making, BSNL stated as below:

‘BSNL has taken note of the various measures taken/initiated by the Government for improving the quality of services in wireline services, network and optimum utilization of wireline capacity of BSNL. All initiatives have the potential of changing the fortunes of the BSNL. If implemented earnestly and with promptitude. BSNL has an ambitious plan for monetization of its land and building assets to earn revenue there from as detailed below:

1 Commercial harnessing of vacant land parcels**:** 10 land parcels were identified for commercial harnessing under a pilot project and firm proposal for 7 out of these 10 land parcels is being examined in DoT.

2. Notifying BSNL as Public Works Organisation (PWO**):** Civil Wing of BSNL has been executing various civil works of different Departments /Government. bodies as Project Management consultant and thereby earning revenue for the companies. However, on account of modification in Rule 126(2) of GFR vide letter no. F2911I2015 PPD dated 13.04.2016, BSNL can take up external projects provided it is notified as the construction wing of the Department.

3. Government projects**:** All Government funded projects may be given to the BSNL. It will help to further promote the Government policies of Make in India and Development of neglected areas. All government Department and Government Owned PSU may be asked to take their telecom requirement from BSNL as first choice. With stiff competition & tariff war in retail voice & data products. BSNL needs to firm up its space in whole sale business of leasing out its core network. Also it may be more remunerative to deal in ICT products rather than vanilla Telecom services for which company needs to create its forte in IT segment by upgrading in-house skills.

3.37 Further, with stiff competition & tariff war in retail voice & data products, BSNL needs to firm up its space in whole sale business of leasing out its core network. Also it may be more remunerative to deal in ICT products rather than vanilla Telecom services for which BSNL needs to create its forte in IT segment by upgrading in-house skills.'

MAHANAGAR TELEPHONE NIGAM LIMITED (MTNL)

3.38 Mahanagar Telephone Nigam Limited (MTNL) was incorporated on 28 February, 1986 under the Companies Act as a wholly owned Government. Company. On 01 April, 1986, it assumed responsibility for the control, management, operation of the telecommunications services in the two Metropolitan Cities of Delhi and Mumbai. The jurisdiction of the Company comprises the city of Delhi and the areas falling under the Mumbai Municipal Corporation, Navi Mumbai Corporation and Thane Municipal Corporation for providing fixed line services. However, for Cellular services the company has the license to provide services in Delhi including NCR (towns of

Ghaziabad, Faridabad, Noida and Gurgaon) and in Mumbai including Navi Mumbai, Kalyan & Dombivili.

3.39 MTNL is a complete telecom solution provider, providing the following wide range of services to its esteemed customers :

i. Basic Telephone Service
ii. Cellular Mobile Service (Both 2G / 3G GSM)
iii. Internet Service
iv. ISDN
v. Broadband
vi. Leased Circuits
vii. IN Services
viii. Wi-Fi hot spots
ix. Data Centre Services

3.40 In addition MTNL is providing a host of value added services to its wire line & wireless customers.

3.41 MTNL is operating only in Delhi and Mumbai which are the most fiercely competitive markets characterized by high saturation and having more than 150% tele-density. However, to overcome these limitations MTNL has modernized its network by incorporation of state of art technologies and adopting customer friendly approach. The company has been constantly seeking ways and means to provide the Telecom Services of International standard. Status (as on 30 September 2017) of total Network Capacity & subscriber base in respect of Fixed line, GSM & Broad band services are summarized below-

Sl. No	**Services**	**Network capacity**	**Subscriber base**
1.	Fixed Line	50,02,897	34,04,215
2.	GSM	56,00,000	36,06,788
3.	Broadband	16,34,644	10,49,885

3.42 As can be seen from above, enough network capacity is available & all the services which are being provided by MTNL to its customers are available on demand and there is no waiting list for any of the services. MTNL's market share has reduced to minuscule 4.15% in case of wireless. Though for Wireline 55.27% market share has been maintained as the other TSPs are predominantly focused towards wireless and are investing heavily in that segment.

- MTNL was consistently earning profits throughout since its inception. However, during the year 2009-10, it went into loss for the first time. This was the first year of loss for MTNL since its inception way back in 1986.

- Loses occurred in 2009-10 on account of amortisation of SG/BWA spectrum charges. The amortisation had a negative impact on the profitability of the enterprise and 2nd wage revision to employees and the provision as per actuarial valuation based on the revised pay scales for retirement benefits of employees. MTNL was required to provide for liability for retirement benefits including pension as per accounting standard on actuarial basis.

- 3G/BWA spectrum had to be purchased from DoT on account of policy decision of GOI. The price for the same was to the tune of ₹.11097.97 Crore. The same was arranged through loans from banks etc to the tune of ₹. 7563.97 Crore. This along with OD has resulted in the considerable interest outgo for the company in the year 2010-11 and onwards.

- Besides, interest foregone annual on the erstwhile fixed deposits which was utilised for payment of BG/BWA spectrum on an average ₹.350 Crore in the years 2009-10 onwards also had a negative impact.

- MTNL incurred losses in Financial Year 2014-15, 2015-16 & 2016-17. MTNL made book profit of ₹ 7825.13 Crore during Financial Year 2013-14. The same was on account of reversal of provisions of pensionary benefits following GOI decision for payment of the pension from its own sources and also the reversal of amortisation charged earlier for one time BWA spectrum due to refund of BWA Spectrum by MTNL. During the previous years 2014-15, 2015-16 & 2016-17 the company incurred losses basically due to huge legacy staff cost on account of absorption of entire working employees in group B, C and D and high finance cost on loan taken for payment of 3G and BWA spectrum.

3.43 MTNL was allotted 3G spectrum in 2008 by DoT with a condition to match the highest auction price; therefore MTNL was not required to participate in the spectrum auction which took place in the year 2010. Moreover, MTNL did not participate in this auction because of Clause 2.2(Reservation for BSNL/ MTNL) of the "Notice Inviting Application" for Auction of 3G and BWA Spectrum dated 25 February 2010 reproduced below :

"***2.2 Reservation for BSNL/ MTNL***

3G Spectrum

The Government has allocated one block of 2X5MHz spectrum in Delhi and Mumbai for MTNL and one block of 2X5MHz of spectrum in the remaining service areas for BSNL. BSNL and MTNL shall not be participating in the 3G Auction, but shall be required to match the Winning Price achieved in the respective service areas in the 3G Auction as payment for the spectrum allotted to them.

BWA Spectrum

The Government has allocated one block of 20 MHz of unpaired spectrum in Delhi and Mumbai for MTNL and one block of 20 MHz of unpaired spectrum in the remaining service areas for BSNL. BSNL and MTNL shall not be participating in the BWA Auction, but shall be required to match the Winning Price achieved in the respective service areas in the BWA Auction as payment for the spectrum allotted to them."

The details of e-auction for 3G and BWA are as follows:

Spectrum for	Reserve price (Delhi + Mumbai)		Final price in the e-auction in 2010 which MTNL paid for Delhi + Mumbai
	At the time of allotment to MTNL in 2008	At the time of e-auction in 2010	
3G	320 Cr	640 Cr	6564 Cr
BWA	160 Cr	320 Cr	4534 Cr

3.44 When asked whether the Department (DoT) has taken remedial measures to check losses of the Company as per DPE guidelines, MTNL in their written replies submitted as under:-

'Pension Issue: On 9th January 2014, Government decided to pay pensionary benefits w.e.f 01 October 2000 (on BSNL pattern) to Government employees absorbed in MTNL with option on combined service with the conditions that MTNL will pay pension contribution to the Government as per FR 116 as is applicable in the case of BSNL on equivalent BSNL pay scales, and pension Contribution payable by MTNL shall be adjusted against excess payment of pension made by MTNL. Currently Government is disbursing the pension directly.'

Refund of surrendered BWA Spectrum charges: On 09 January 2014, Government. decided to provide financial support of ₹.4,533.97 Cr equivalent to the upfront charges paid by MTNL for the surrendered BWA Spectrum. Government agreed to discharge the total liability of bonds, including principal and interest. However, MTNL would utilize the proceeds to discharge its existing loan liability only. MTNL has already raised bonds with the sovereign guarantee during Financial Year 2013-14 and 2014-15 & the fund raised have been utilized for reduction of existing loan liability. The financial support was on account of surrender of BWA spectrum by MTNL for which upfront payment was made earlier by MTNL.

Support in lieu of vacation of CDMA spectrum in 800 MHz: MTNL was allotted 800 MHz spectrum for providing CDMA technology based services in Delhi and Mumbai under its CMTS license. Due to non viable operations, it was decided that the spectrum be surrendered to DoT. MTNL surrendered the spectrum in 800 MHz (Two carriers of 1.25 MHz each in Delhi and Mumbai) to the Government. The Cabinet approved an amount of ₹ 458.04 Cr. as compensation to MTNL for the same.

Refund of Minimum Alternate Tax (MAT): Cabinet Committee on Economic Affairs had given its approval on 05 November 2014 for one time reimbursement of amount of ₹492.06 Crore of MAT paid by MTNL. DOT agreed to refund the MAT amount to MTNL which was paid earlier.'

3.45 When asked what challenges MTNL is facing from the market, MTNL in their written replies stated that currently MTNL is facing following external challenges:

'**Limited Market Area**: MTNL Operations are confined to Delhi & Mumbai puts various limitations on business plan.

Over Saturated Markets: The telecom market in Delhi is saturated with no new customer addition except churn of customer form one operator to other operator. Current Tele-density in Delhi is more than 250% & Mumbai it is more than 150%.

Hyper Competition: There are 6 to 7 operators providing telecom services in Delhi and Mobile creating a hyper competitive telecom market.

Falling Tariffs: Due to hyper competitive market scenario, the tariffs are falling and now operators are offering unlimited voice and data. Free longer period promotional offers are being given by Telcos to gain market share.'

3.46 Regarding chalking out a future plan for BSNL and MTNL, when asked whether they agreed to a suggestion regarding merger of BSNL and MTNL to bring them out of losses, MTNL submitted as under:-

'The possibility of revival after merger of BSNL and MTNL is expected due to the fact that the same would pave the way for

(i) Pan-India Presence of combined entity
(ii) Leveraging combined capacities,
(iii) Reduction in fixed costs,
(iv) Avoidance of duplication of facilities,
(v) Optimization in utilization of infrastructure; and
(vi) Enhancing the competence of combined entity to meet the competition.

The telecom industry as a whole is undergoing severe financial stress and Government. is reviewing various aspects in order to bring some relief to Telecom companies. Therefore, subject to continued support from the Government. and various reliefs extended to combined entity, there is a possibility of revival.'

C. <u>Steel Sector</u>

3.47 There are 12 CPSUs including 4 subsidiaries companies under the administrative control of Ministry of Steel. The CPSUs are Steel Authority of India Ltd., Rashtriya Ispat Nigam Ltd., NMDC, Ltd., MOIL Ltd., MECON Ltd., MSTC Ltd., KIOCL Ltd. and subsidiaries are Ferro Scrap Nigam Ltd., Eastern Investments Ltd., Orissa Mineral Development Company Ltd. and The Bisra Strone Lime Company Ltd.

3.48 The Steel industry over the past few years invested heavily in their modernization and upgradation programmes. In respect of CPSEs, the capex investments were mainly funded from internal revenues/accruals accumulated over the years by the Companies and rest from borrowings &loans. The Steel Sector had been in distress during the last four years mainly on account of global excess capacity created by China. This led to adverse market conditions for the domestic steel producers who had to face drastic fall in net sales realizations on account of fall in prices of steel products. This coupled with increase in prices of basic raw material such as coking coal, around 85% of which is mainly met through imports by the CPSEs, impacted the financials of the CPSEs as also led to delay in completion of modernisation and expansion programmes of CPSEs. These factors were mainly responsible for the losses suffered by CPSEs. The sector, however, has shown signs of revival lately and the financials of the Steel CPSEs have started showing improvement beginning the last quarter of 2017-18.

*****Market share of steel CPSUs is as under :

Steel PSUs	Apr-Mar' 2018		Apr-Mar' 2017		% Growth
	Quantity	%Share	Quantity	%Share	
SAIL	11934	14.6	10708	13.9	11.5
RINL	3250	4.0	2611	3.4	24.5

(*Market signal report – April – June, 2018 by CMO-MAG-CD)

STEEL AUTHORITY OF INDIA LIMITED (SAIL)

3.49 Formation of SAIL, a Holding Company - The Government of India decided in December 1972 to set up a Holding Company for steel and associated input industries under the name of "Steel Authority of India Limited" to be registered in the Union Territory of Delhi. The Company was proposed to be set up inter-alia with the following objectives:

(i) to plan, promote and organise an integrated and efficient development of the iron and steel and associated input industries such as iron ore, coking coal, manganese, limestone, refractories, etc., in accordance with national economic policy and objectives laid down by the Government from time to time.

(ii) to co-ordinate the activities of its subsidiaries to determine their economic and financial objectives/targets and to review, control, guide and direct their performance with a view to securing optimal utilisation of all resources placed at their disposal.

(iii) to act as entrepreneur on behalf of the State to identify new areas of economic investments and to undertake or help in the undertaking of such investments.

(iv) to formulate and recommend to the Government a National Policy for the development of iron and steel and related input industries and to advise it on all policy and technical matters.

3.50 In pursuance of the decision of the Government of India, the Steel Authority of India Limited (SAIL) was formed on 24 January, 1973. The shares held by the President of India in the following companies were transferred to SAIL:

- Hindustan Steel Limited (HSL)
- Bokaro Steel Limited (BSL)
- Salem Steel Limited (SSL)
- Hindustan Steel Works Construction Limited (HSCL)
- Bharat Coking Coal Limited (BCCL)
- National Mineral Development Corporation Limited (NMDC)

3.51 By virtue of transfer of shares of the above companies to SAIL, these companies became wholly owned subsidiaries of SAIL. Further, the shares held by President of India in Bolani Ores Limited, Metal Scrap Trading Corporation Limited, Manganese Ore (India) Limited and Mysore Iron and Steel Limited (now VISL) were also transferred to SAIL.

3.52 In view of the fact that Central Engineering and Design Bureau (CEDB), a unit under HSL had been undertaking several important assignments outside HSL and considering the larger role it was to play in the development of Country's steel industry in future, the Government decided that CEDB be converted into a separate company. In pursuance of this decision, this unit was separated from HSL and formed into an independent company on 31st March 1973 under the name of Metallurgical and Engineering Consultants (India) Limited (MECON) as a subsidiary of SAIL.

3.53 As the steel exports in the past have been undertaken as an adjunct to the home market activities for both primary and secondary producers, it was felt that the objectives of promoting steel exports in a balanced way would be better served by setting up a separate organisation. It was also considered that the same agency could bring under its umbrella, the steel imports so that the available expertise, market intelligence and the bargaining strength could be properly integrated under one organisation. In pursuance to the above, on 10th June 1974, a separate company namely, SAIL International Limited was incorporated as a wholly owned subsidiary of SAIL to coordinate the export and import business of iron and steel items and ferro alloys.

3.54 In addition, in 1974 a new company by the name of Bharat Refractories Limited was formed as a subsidiary of Bokaro Steel Limited with the main object of manufacturing refractories and in particular to take over and run the Asian Refractories Plant. The subject “production, supply, distribution and pricing of coking coal” was transferred from Department of Steel to Department of Coal under the Ministry of Energy in October 1974. The administrative control of Bharat Coking Coal was consequently transferred from Department of Steel and the Steel Authority of India Limited in October 1974 to Department of Coal. The formalities relating to transfer of Shares etc. were completed in February 1975 and the BCCL was delinked from SAIL.

3.55 The following three new companies were formed in October 1976 as fully owned subsidiaries of SAIL with the objectives of taking over the running business of Alloy Steels Plant, Bhilai Steel Plant and Rourkela Steel Plant on transfer from HSL.

- Durgapur Mishra Ispat Limited
- Bhilai Ispat Limited
- Rourkela Ispat Limited

3.56 On advice from Government of India, the shares of India Firebricks and Insulation Company Limited were also acquired by SAIL in 1975-76 from financial institutions.

Restructuring of Steel Industry - SAIL an integrated Steel Company

3.57 “The Public Sector Iron and Steel Companies (Restructuring) and Miscellaneous Provisions Act, 1978” was enacted and came into force with effect from 1st May, 1978 with the objective to provide for restructuring of iron and steel companies in the Public Sector so as to secure better management and greater efficiency in their working. The aim was to bring all the Public Sector Plants under the overall control of an integrated company (i.e. SAIL) which should function to the maximum extent possible as an integral steel complex and all activities which are not directly related to steel production be kept outside its purview.

3.58 Consequent upon the coming into effect the above Act, SAIL became an operating company and the following companies stood dissolved and merged with SAIL.

- Hindustan Steel Limited
- Bhilai Ispat Limited
- Rourkela Ispat Limited
- 3 Durgapur Mishra Ispat Limited
- Bokaro Steel Limited
- Salem Steel Limited
- SAIL International Limited

3.59 The following subsidiaries companies working under the control of SAIL were delinked from SAIL with effect from 1st May, 1978 and rested directly with Government of India.

- Metallurgical and Engineering Consultants (India) Ltd. (MECON)
- Hindustan Steelworks Construction Limited (HSCL)
- National Mineral Development Corporation Limited (NMDC)
- Bharat Refractories Limited (BRL)

3.60 SAIL's shareholdings in India Firebricks and Insulation Company Limited stood transferred to Bharat Refractories Limited. However, the two mines which were part of NMDC remained with SAIL viz. Kiriburu Iron Ore Mines and Meghahataburu Iron Projects.

3.61 The shares held by Government of India in Indian Iron and Steel Company Limited (IISCO) were transferred to SAIL and IISCO became a subsidiary of SAIL w.e.f. 1 May1978. Later on the shares held by financial institutions, nationalised banks etc. in IISCO were also acquired by SAIL making IISCO as a fully owned subsidiary of SAIL.

3.62 Bolani Ore Limited which was a subsidiary of SAIL merged with SAIL and became captive mine of Durgapur Steel Plant with effect from 1st January 1979. The Visakhapatnam Steel Project, Paradeep Steel Project and Vijayanagar Steel Project which were part of SAIL, transferred from SAIL to the newly formed companies viz. Rashtriya Ispat Nigam Limited, Neelanchal Ispat Limited and Vijayanagar Steel Limited respectively under the direct control of Ministry of Steel , Government of India.

3.63 On a decision by the Government, the entire shareholding of SAIL in MSTC was transferred to Government on 21 May 1982 and MSTC ceased to be a subsidiary of SAIL. Similarly, Government also decided to transfer the ownership of Central Coal Washery Organisation (CCWO), a unit of SAIL to BCCL with effect from 1st October1983.

3.64 SAIL took over the management of Maharashtra Elektrosmelt Limited (MEL), a small and compact company, for utilising some of its facilities for R&D work as well as to maximise the production of Ferro Manganese for captive use in SAIL plants. As a result of above, SAIL acquired approximately 96% of the paid up capital of MEL from SICOM, financial institutions, etc. making it a subsidiary of SAIL in October 1986.

3.65 A MOU was signed amongst Government of India, Government of Karnataka and SAIL on 10 August 1989 for takeover of Visvesvaraya Iron and Steel Limited by SAIL. The Company was taken-over by SAIL by acquisition of additional 20% paid up capital with effect from 1 August 1989 making VISL a subsidiary of SAIL (60% shareholding). During May1997 SAIL has acquired the entire shareholding of Government of Karnataka in VISL and it became a wholly owned subsidiary of SAIL. With effect from 29 December 1998 VISL has been merged with SAIL and it has become a Unit of SAIL.

3.66 Pursuant to the scheme of amalgamation under Sections 391 to Section 394 of the Companies Act, 1956, as approved by the Central Government vide its Order dated 15 February, 2006, effective from 16th February2006, the Indian Iron & Steel Company Limited (IISCO), an erstwhile wholly owned subsidiary company, which was owning an

Integrated Steel Plant at Burnpur, has been amalgamated with the Company, with effect from the appointed date, i.e. 1 April 2005. The name of the Plant of the amalgamating company has been kept as IISCO Steel Plant (ISP). With the above merger, SAIL has grown in size and has five integrated steel plants under its fold.

3.67 Pursuant to the scheme of amalgamation under Sections 391 to Section 394 of the Companies Act, 1956, as approved by the Central Government vide its Order No. 1847 dated 28th July 2009, the erstwhile Bharat Refractory Limited has been amalgamated with the Company w.e.f. 1 April 2007. The Bharat Refractory Limited became a Unit of SAIL and renamed as 'SAIL Refractory Unit'.

3.68 Pursuant to the scheme of amalgamation under Sections 391 to Section 394 of the Companies Act, 1956, as approved by the Central Government, vide letter dated 14 June 2011 of the Ministry of Corporate Affairs, the erstwhile Maharashtra Elecktrosmelt Limited (MEL) has been amalgamated with the Company. MEL has become a Unit of SAIL and renamed as Chandrapur Ferro Alloy Plant.

Present Plants/Units/Subsidiaries

3.69 At present, the following steel plants/units and subsidiaries are managed by SAIL.

(a) Own Plants/Units

INTEGRATED STEEL PLANT

(i) Bhilai Steel Plant
(ii) Durgapur Steel Plant
(iii) Rourkela Steel Plant
(iv) Bokaro Steel Plant
(v) IISCO Steel Plant

Special Steels Plant

(i) Alloy Steels Plant
(ii) Salem Steel Plant
(iii) Visvesvarya Iron and Steel Plant
(iv) Chandrapur Ferro Alloy Plant

Units

(i) Central Marketing Organisation
(ii) Raw Materials Division
(iii) Research & Development Centre for Iron and Steel
(iv) Centre for Engineering & Technology
(v) Management Training Institute
(vi) Growth Division
(vii) Central Coal Supply Organisation
(viii) SAIL Consultancy Division
(ix) Environment Management Division
(x) SAIL Safety Organisation
(xi) SAIL Refractory Unit

(b) Subsidiary Companies

(i) IISCO-Ujjain Pipe & Foundry Company Limited (Under liquidation)
(i) SAIL Refractory Company Limited
(iii) SAIL Jagadishpur Power Plant Limited and
(iv) SAIL Sindri Projects Limited
(v) Chhattisgarh Mega Steel Limited

(c) Joint Ventures

(i) NTPC-SAIL Power Company Pvt. Ltd.
(ii) Bokaro Power Supply Company Pvt. Ltd
(iii) mjunction services limited
(iv) Bhilai Jaypee Cement Ltd.
(v) S&T Mining Co. Pvt. Ltd
(vi) International Coal Ventures Private Limited
(vii) SAIL-SCL Kerala Limited
(viii) SAIL-RITES Bengal Wagon Industry Pvt. Ltd.
(ix) SAIL-Bansal Service Centre Limited
(x) SAIL & MOIL Ferro Alloys Pvt. Ltd
(xi) SAIL SCI Shipping Private Limited
(xii) SAIL-Kobe Iron India Private Limited
(xiii) SAL-SAIL JVC Limited xiv) TMTSAL-SAIL JVC Limited
(xv) SAIL- Bengal Alloy Castings Private Limited (SBACPL)
(xvi) VSL-SAIL JVC Limited
(xvii) Prime Gold-SAIL JVC Limited
(xviii) Abhinav-SAIL JVC Limited
(xix) North-East Steel & Galvanising Pvt. Ltd.
(xx) North Bengal Dolomite Limited.
(xxi) UEC SAIL Information Technology Limited
(xxii) Romelt-SAIL (India) Limited.

3.70 The Shareholding of SAIL:

From the time of the SAIL's formation until 1992, the Government of India owned all of SAIL's equity capital. The Government disinvested some part of its equity in SAIL in phases during 1992 to 1995. The Company issued Global Depository Receipts (GDRs) in 1996 amounting to USD 125 million. Subsequently, the Government divested 5.88% of its shareholding in the Company in March2013 and further 5% in December 2014.

3.71 The present paid - up capital, of the company is ₹ 4130.53 Crore. Out of the above paid-up capital, the President of India is holding ₹ 3097.77 Crore (75%) and the balance shares are held by the financial institutions, mutual funds, Banks, Employees, GDR - holders and individuals. As on 31 March 2017, the total number of shareholders are 374049.The plant-wise and Unit-wise profit/loss of SAIL is given below.

Plant-wise/Unit-wise Profit(+)/Loss(-) before tax

(₹in Crore)

Plant /Unit	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	H1 2016-17	2016-17	H1 2017-18*
BSP	5366	4965	4270	3491	2715	2048	2085	2232	446	32	2	106
DSP	1009	754	647	437	503	553	416	506	-468	-307	-951	-395
RSP	1401	1011	1340	872	646	363	212	232	-2491	-749	-1358	-654
BSL	2830	1293	2085	1260	703	308	202	451	-2061	-226	-203	-239
ISP	-285	-182	179	25	-411	-159	-653	-1072	-1982	-866	-1946	-771
ASP	3	-110	-30	-8	-53	-120	-93	-134	-81	-21	-33	-23
SSP	103	3	5	12	-155	-420	-376	-355	-462	-131	-235	-139
VISL	-59	-149	-101	-130	-131	-117	-123	-97	-113	-62	-117	-66
SRU		-5	-11	21	11	10	3	7	24	7	20	8
CFP					10	-39	-78	-45	-81	-54	-83	-17
RMD/Central Units	1101	1819	1748	1215	1313	813	1628	634	262	200	54	163
SAIL Profit (+)/Loss (-) Before Tax	11469	9399	10132	7194	5151	3241	3225	2359	-7008	-2178	-4851	-2028
Tax	3932	3228	3378	2290	1608	1070	608	266	-2986	-911	-2018	-687
SAIL Profit (+)/Loss (-) After Tax	7537	6170	6754	4905	3543	2170	2616	2093	-4021	-1267	-2833	-1340

**(unaudited)*

3.72 When asked about the main reasons for losses and the steps taken for improving in Physical and Financial performance of the Company, SAIL stated as under:-

Reasons for Losses

3.73 Major reasons for decline in profits were are as under:

- Lower production of saleable steel due to adverse market conditions.
- Lower Net Sales Realisation of steel products.
- Increase in Imported & Indigenous Coal prices.
- Adverse impact of levy of contribution to District Mineral Foundation (DMF) and National Mineral Exploration Trust (NMET).
- Higher usage of imported coal in the blend due to lower availability of indigenous coal,
- Increase in salaries & wages.
- Higher interest charges and reduction in interest earning on term deposits
- Higher depreciation due to capitalization of new facilities

3.74 Steps taken for improvement in Physical and Financial Performance

- Reduction in consumption level of raw materials like Coal, Iron Ore, Fluxes, etc. and bringing down cost of raising iron ore & clean coal in mines.
- Production optimization and product-mix improvement
- Improvement in techno-economic parameters.
- Rationalization of manpower through VRS.
- Identification and closure of uneconomic activities.
- Rationalizing production from relatively inefficient routes of production.
- Waste management.
- Strict control on demurrage expenses.
- Reduction in the various items of administrative expenses.
- Re-negotiation of prices of long term contracts for cutting down procurement price where deliveries are still pending.
- De-proprietorisation of items of stores & spares, plant & machinery, maintenance services, etc.
- Monitor and reduce handling and transit losses of imported coal.
- Reduction in logistic cost for transportation of coal being imported
- Reduction in Cost of Capital by substitution of high cost debts with low cost long/short term funds.
- Reduction in specific power and water consumption.

HINDUSTAN STEELWORKS CONSTRUCTION LIMITED (HSCL)

3.75 Hindustan Steelworks Construction Limited (HSCL) is one of the major construction agencies in the Public Sector established in 1964 under the administrative control of Ministry of Steel. The mandate for its incorporation was to mobilize indigenous capability for putting up integrated steel plants in the country. The organization rose to the occasion and successfully met the challenge by bringing together competent human resources and mobilizing a fleet of updated construction equipment. Since then, there has been no looking back. In the years that followed, HSCL contributed immensely in setting up of almost every major steel plant in India. As the Company grew in resources and expertise, it diversified in other areas like Power Plants, Mining Projects, Irrigation Projects including Dams and Barrages, Oil Refineries, Railways, Airports, Buildings and Commercial Complexes, Rural Roads, Highways, Flyovers, minor and major Bridges for Railways and Road traffic, infrastructure for Educational Institutions, Health Centers and Hospitals, Solar Power generation units and opencast mining etc. The Company undertook and successfully completed a number of Turn Key Projects also for various clients. Today, HSCL is a debt free net profit generating ISO 9001-2008 Company with substantially positive net worth and its capabilities cover almost every field of construction activities.

3.76 HSCL informed the Committee that the financial Restructuring of the Company w.e.f. from 01 April2015 and its takeover by NBCC was approved by the Union Cabinet held on 25 May 2016. The provisions in the proposal are as follows:

(i) 'The Government of India (GOI) Non-Plan loan of ₹.513.2 Crore with accumulated interest of ₹.867.5 crore, totaling to ₹.1380.7 crore (as on 31.03.2015) may be converted into equity and authorized and paid up capital of the Company may be raised to that extent.

(ii) The Plan loan of ₹.36.5 Crore and accumulated interest on it of ₹.58.2 Crore (as on 31.03.2015), amounting to ₹.94.7 Crore may also be converted into equity and authorized and paid up capital of the company may be raised to that extent.

(iii) The outstanding guarantee fee of ₹.26.8 Core may be converted into equity and authorized and paid up capital of the company may be raised to that extent.

(iv) Subsequently, the accumulated losses of ₹.1585.0 crore may be written off against the increased equity.

(v) GOI may provide outright support of ₹.200 crore to HSCL to be utilized for repayment of Bank loans of ₹.518.4 crore along with other resources available with HSCL as per One Time Settlement agreed with Banks.

(vi) GOI will continue to extend Government guarantee for the term loans of ₹.518.4 crore and also pay interest on the term loans till HSCL is taken over by NBCC on issue of 51% Equity shares of HSCL at which point the GOI guarantee will be replaced by corporate guarantee of NBCC.

(vii) GOI will bear the contingent liabilities of ₹.110 crore approximately which has been decided by the Supreme Court on 03.03.2016 against HSCL, as part of the VRS liabilities.

(viii) With the above restructuring, HSCL will be taken over by NBCC with all its contractual obligations and residual liabilities by allotment of ₹.35.7 Crore worth of fresh equity shares equivalent to 51% of the restructured share capital of HSCL.

(ix) The Ministry of Steel and the Ministry of Urban Development may be authorized to initiate the process of financial restructuring of HSCL and its takeover by NBCC.

3.77 NBCC (India) Ltd took over HSCL w.e.f 1 April 2017 as a debt free company with all legacy financial burdens set off against increase equity.

Position of strategic disinvestment of CPSUs under the Ministry of Steel is as follows :

(I) Steel Authority of India Limited (SAIL)

Three loss making units of SAIL i.e. of Visvesvaraya Iron and Steel Plant(VISP), Salem Steel Plant (SSP) and Alloy Steel Plant (ASP), Durgapur have been proposed for strategic disinvestment.

Preliminary Information Memorandum (PIM)/Expression of Interest (EOI) of ASP has been floated. Last date for bid submission was 11th May, 2018. The PIM/EOI of

VISP duly approved by SAIL Board is under process in Ministry of Steel. PIM/ EOI of SSP is at draft stage.

(II) <u>Rashtriya Ispat Nigam Limited (RINL)</u>

In so far as RINL is concerned, the Cabinet Committee on Economic Affairs (CCEA) had given “in-principle” approval in the year 2012 on the proposal for disinvestment of 10% paid up equity of RINL out of Government of India shareholding of 100% through initial public offering (IPO) as per the disinvestment Policy of the Government of India. Department of Investment and Public Asset Management (DIPAM) had sought comments of Ministry of Steel on the feasibility of holding the disinvestment of RINL through IPO in near future. M/o Steel has conveyed that given the performance of RINL in the preceding three financial years, it may not be advisable to go for IPO at this stage.

(II) <u>MECON Limited</u>

After consecutive losses for FY 2015-16 and FY 2016-17, with Loss Before Tax of Rs.174.70 Crores and Rs.88.14 Crores, respectively, MECON has become profitable during FY 2017-18 with Profit Before Tax ofRs.33.89 Crores (Provisional).

NITI Aayog has provisionally identified MECON for strategic sale. However, in view of Strategic importance of MECON in the context of growth of steel sector as envisaged under the National Steel Policy, 2017 there is a need to keep the existing status of MECON.

(III) <u>KIOCL Limited</u>

KIOCL amongst the earliest CPSU under Ministry of Steel went for disinvestment in 1994-95. Currently, 1% of total Equity offloaded and held by general public.

(IV) **<u>Ferro Scrap Nigam Limited</u>**

Name of FSNL was initially identified for disinvestment in the year 2016. The core Group of Secretaries on Disinvestment (CGD) in its meeting held on 28.02.2018 re-iterated its earlier decisions and advised that Ferro Scrap Nigam Limited (FSNL) may be merged with MSTC Limited (the holding company). A meeting of the Inter Ministerial Group (IMG) on strategic disinvestment was held on 02.04.2018. The IMG has advised MSTC Limited to do a study as regard the merger of FSNL with MSTC and revert to IMG with a concrete proposal. Disinvestment of CPSUs does not have any direct effect on the employment under the CPSU. In cases of strategic sale of CPSU it is being ensured that the jobs are not affected on account of change of ownership.

D. **<u>Fertilizers Sector</u>**

<u>FERTILIZERS AND CHEMICALS (TRAVANCORE) LIMITED (FACT)</u>

3.78 The Fertilizers And Chemicals Travancore Limited (FACT) was incorporated in the year 1943 and the first large-scale fertilizers plant in India located at Udyogamandal, Kochi, Kerala, started production in 1947. Initially in the Private Sector, promoted by M/s Seshasayee Brothers, FACT became a Public Sector company in 1960 and the Government of India became the major shareholder in 1962.

<u>Divisions/ Production Units</u>

3.79 From a modest beginning, FACT has expanded and diversified into multi-divisional organisation with varied activities. The parent Division at Udyogamandal underwent four stages of expansion until the year 1972, upgrading technology and increasing capacity.

3.80 Another fertilizers unit was established in two phases at Ambalamedu near the BPCL Kochi Refineries (Ambalamedu is about 30 km away from Udyogamandal). Phase-I, with the Ammonia-Urea Complex commissioned in 1973 and Phase-II consisting of Sulphuric Acid, Phosphoric Acid and Complex Fertiliser Plant commissioned during 1976-78. The said unit is named as Cochin Division. FACT expanded further with the commissioning of the Petrochemical Division at Udyogamandal for production of Caprolactam during 1990-91.

3.81 In the 1960's, recognizing the need for developing indigenous capabilities for design and construction of Chemical and Fertiliser Plants, FACT established an Engineering & Consultancy wing FEDO (FACT Engineering & Design Organisation). A Fabrication Division FEW (FACT Engineering Works) was also established in 1966.

3.82 Ammonia is a basic input for FACT's fertilisers and also for Caprolactam production. Until 1998 this was being met through the production from the Ammonia Plants of Cochin Division (capacity: 198000 MT per annum) and Udyogamandal Division (Capacity: 85800 MT per annum) and imports (2.1 Lakh MT per annum).

3.83 FACT was forced in 1994 to take up the Ammonia Plant project consequent to a High Court Judgment directing that the Ammonia Storage facilities at Cochin Port be closed due to environmental considerations. With the adoption of group pricing scheme for urea by Government of India with effect from 01 April 2003, the operations of the Ammonia/Urea plant at Cochin Division became economically unviable with the prevailing energy consumption levels of these plants. Consequently it was decided to shut down the Ammonia-Urea plants at Cochin Division.

Products

3.84 Main products of FACT are:

	Product	Installed Capacity
a.	Factamfos (NP 20:20)	633,500 MT per annum
b.	Ammonium Sulphate	225,000 MT per annum
c.	Caprolactam	50,000 MT per annum

Performance

3.85 FACT had been consistently earning profits from 1983-84 to 1997-98. The financial performance of FACT turned negative from the year 1998-99, due to reasons beyond the control of the Company, despite a fairly good physical performance and was referred to BIFR as potentially sick company in 2004.

3.86 When asked about the major reasons that attributed to the losses of FACT and the measures taken to overcome the losses, the Company in a written note submitted the following:-

• Changes in the Policy**:** FACT, which was a profit making organization, went into losses mainly on account of anomalies in policies. The earlier supports by the Government of India helped in cleaning up the balance sheet and staying out of the purview of BIFR. The dependence on high cost liquid fuel / feedstock in the absence of Natural gas coupled with the delay in addressing the policy anomalies and the lack of adequate infusion of fresh funds had a cumulative effect on the negative performance of the company. Net worth of the company became negative during 2012-13.

• Closure of Urea plant**:** Ammonia-Urea complex at Cochin Division, was shut down in 2003 due to non-viability of operations using Naphtha.

• Non operation of Caprolactam Plant**:** FACT's Petrochemical Plant Caprolactam was shut down since October 2012 due to economic unviability. Market condition is being monitored to restart the plant as and when economics improve.

• Working Capital Constraints due to continued financial losses.

• Sub optimal capacity in Finished Products**:** The present production capacity is not sufficient to cover the fixed cost of the company. No capacity addition in finished products has been done in the last two decades.

• Setting up of a new Ammonia plant with a huge capital expenditure based on a Public Interest Litigation (PIL) restricting usage of storage facilities for imported ammonia.

• Under utilisation of existing capacities due to:-

Raw material related problems – High cost of procurement, Financial constraints, changing priority with economics in the case of LNG & imported Ammonia.

Infrastructure limitations - With imported ammonia based fertiliser production, company could not maximize fertiliser production (production was limited to about 70% level) due to constraints in its ammonia storage, parcel size and transportation. Even though both the fertiliser products of FACT were generating positive contribution, company had to limit production levels depending on the imported ammonia availability. Lower production levels seriously affected the economics of operation.

High RLNG Cost**:** The change over from high cost naphtha to LNG during October '13 also did not help FACT as the landed price of LNG was very high in the range of 21.5 $ MMBTU, when the facility was commissioned in synchronization with commissioning of Petronet LNG terminal. This made the operations unviable even with LNG. In the absence of support for high cost of LNG, Company had to discontinue the LNG operations during January 2014 and resorted to imported ammonia based fertilisers production affecting capacity utilization.

3.87 The various supports offered by the GoI were not sufficient to make a turnaround of the company, as the policy anomalies were not addressed in time. In order to address these issues, a revival proposal was placed before the Board for Reconstruction of Public Sector Enterprises (BRPSE) in 2013. On the basis of BRPSE recommendations, a Cabinet Note was originated for consideration of Union Cabinet in April' 2014. However due to Parliament elections the Note could not be placed before the Cabinet for decision.

3.88 The delay in implementing the revival package and the continued losses severely affected the physical and financial operations of the company in the subsequent years. The scenario became so critical that, severe financial crunch forced the company to stop fertiliser production during the fourth quarter of 2015-16.

3.89 The timely intervention of the Government of India by way of allocation of ₹ 1000 crore (at 13.5% interest) towards plan loan support, during march'16, has helped the company in overcoming the acute financial crisis by repaying the outstanding liabilities and restarting operations at optimum level.

3.90 Company could achieve excellent level of physical and financial performance during the first half of the financial year 2016-17 leading to operating profit (before considering GoI interest) from the month of June'16 to October '16. But the scenario drastically changed with the failure of Rabi monsoon (2016) in South Indian States, forcing the company to restrict production level considerably due to piling up of inventory in field and in plant during third quarter.

3.91 Despite the adverse situation, Company could significantly improve the physical and financial performance in 2016-17 compared to previous year. Factamfos production for the year was 6.4 Lakh MT in comparison with 5.27 Lakh MT for 2015-16, showing a remarkable improvement of 1.13 Lakh MT during the year. In the case of Ammonium Sulphate, the production was 1.52 Lakh MT against the previous year figure of 0.79 Lakh MT, with an improvement of 0.73 lakh MT.

E. Pharmaceutical Sector

3.92 The main objectives of setting up of Pharma PSUs were to create self-sufficiency in the country in respect of essential life-saving medicines, to free the country from dependence on imports and to provide medicines to the masses at affordable prices. There are five pharma CPSUs under the aegis of Department of Pharmaceuticals, as under:

i. Indian Drugs & Pharmaceuticals Ltd. – (IDPL**) -** Indian Drugs & Pharmaceuticals Limited (IDPL) was incorporated as a public limited company on 5th April, 1961 under the Companies Act, 1956. The company has three main Plants at Rishikesh (Uttarakhand), Gurugram (Haryana) & Hyderabad (Telangana) and two wholly owned subsidiaries, namely, IDPL (Tamil Nadu) Ltd., Chennai (Tamil Nadu) and Bihar Drugs & Organic Chemicals Limited (BDOCL) at Muzaffarpur (Bihar). In addition, IDPL has one

Joint Venture Undertaking, promoted in collaboration with the Odisha State Government, namely, Orrisa Drugs & Chemicals Ltd. (ODCL),Bhubaneswar.

ii Bengal Chemicals & Pharmaceuticals Ltd. (BCPL) **-** Bengal Chemicals & Pharmaceuticals Works Ltd. was established on April 12, 1901 by eminent scientist-cum-entrepreneur AcharyaPrafulla Chandra Ray as the first chemical & pharmaceutical company in India. Initially the company had one factory at Maniktala (Kolkata) in 1901. Thereafter, three more factories were established at Panihati (North 24 Parganas) in 1920, Mumbai in 1938 and Kanpur in 1949. The management of the Company was taken over by the Government in December, 1977 and it was nationalized on December 15, 1980.

iii Hindustan Antibiotics Ltd. (HAL) – Hindustan Antibiotics Limited was the first pharmaceutical company set up by the Government of India in 1954 for manufacturing of antibiotics. The company has its plant at Pimpri, Pune, which manufactures Dry Powder Injectable, tablets, capsules and liquid formulations. It also manufactures and market agriculture and veterinary products. It has two subsidiaries, Maharashtra Antibiotics & Pharmaceuticals Limited (MAPL) and Manipur State Drugs & Pharmaceuticals Limited (MSDPL).

iv Rajasthan Drugs & Pharmaceuticals Limited (RDPL) **-** The company was set up in the year 1978 as a joint venture of Government of India (51%) and RIICO Ltd., Government of Rajasthan (49%). Its plant at Jaipur manufactures Tablets, Capsules, Liquid orals, ORS powder & opthalmamic medicines. The production activities have stopped after fire at its plant in October, 2016.

v. Karnataka Antibiotics & Pharmaceuticals Limited (KAPL) **–** The Company was incorporated in 1981 as a Joint Sector Undertaking of HAL in collaboration with Karnataka State Industrial and Infrastructure Development Corporation (KSIIDC). The shares of HAL were transferred to GOI and as of now 59% of the equity is held by GOI and 41% of equity shares of KSIIDC, Government of Karnataka. It has its manufacturing unit and the registered office of the Company at Bengaluru. The main products are pharmaceutical formulations like tablets, capsules, injectable, etc.

3.93 When asked how many CPSUs under the Department of Pharmaceuticals are under losses and how many of the loss making CPSUs are slated for closure/ revival/ restructuring, the Department of Pharmaceuticals submitted as under:

"There are five Pharma CPSUs running under the administrative control of the Department, namely Indian Drugs & Pharmaceuticals Limited (IDPL),Bengal Chemicals & Pharmaceuticals Limited (BCPL), Hindustan Antibiotics Limited (HAL), Rajasthan Drugs & Pharmaceuticals Ltd. (RDPL) and Karnataka Antibiotics & Pharmaceuticals Limited (KAPL). Out the five CPSUs, only BCPL and KAPL are reporting profits. Cabinet/ CCEA has already decided for closure of IDPL & RDPL and strategic sale of BCPL, HAL and KAPL.'

3.94 When asked about the major reasons that attributed to the loss to the CPSUs in the pharmaceutical sector, the Department of Pharmaceuticals in a written note submitted as under:

'The reasons for CPSUs going under loss include their large monolith-type integrated production facilities, outdated plant & machinery, obsolete technology, excess manpower, maintenance of huge township, schools &hospitals, shifts in Government policies, intense competition from private pharma sector companies, inadequate/ delayed release of funds for their revival, inability to comply with the approved terms of revival, failure to reduce manpower strength, increase in input and utilities costwhile prices for the products fixed by DPCO remaining by and large constant, high interest burden etc. '

3.95 When asked whether pricing of drugs and chemicals was also a major issue for the CPSUs to go into losses, the Department of Pharmaceuticals stated as follows:

'Pricing of drugs and chemicals was one of the reasons of the CPSUs turning into losses. In some cases, while the prices of raw materials increased exorbitantly, the prices of formulations manufactured by CPSUs were not increased proportionally. CPSUs in number of cases are not able to match the prices offered by private companies as they have higher fixed costs due to various social obligations. Further, while the CPSUs are driven by Government policy of making available affordable medicines to the masses, the private companies are driven by motive of earning higher profits.In order to strengthen the marketing capabilities of pharma CPSUs by optimum utilization of their installed capacities resulting in reduced budgetary support, the

Government has formulated a Pharmaceutical Purchase Policy (PPP) for purchase of medicines from these CPSUs. Under the policy, the State Government/ other Government agencies can purchase medicines from the PSUs on a price fixed by NPPA.'

3.96 When asked about the performance of major private players in the pharma industry and the reasons for the Government to lag behind, the Department of Pharmaceuticals clarified as under:

'The major private players in the sector include Sun Pharmaceuticals, Lupin Limited, Dr Reddy's Labs, Cipla, Pfizer, GlaxoSmithKline, Johnson & Johnson etc.

The indigenous private industry is healthy, robust, competitive and fully capable to serve the societal and the Governmental needs. The total turnover of the five pharma CPSUs is around ₹ 600 cr., as against more than ₹ 2 lakh crore turnover of the Industry. The reasons for Government CPSUs to lag behind include cut throat competition from private pharma companies, lack of up-graded technology, operating on minimum margin as prices of most drugs are controlled, delay in receipt of payments, attrition of skilled manpower etc.'

3.97 When asked how in the event of closure of pharma CPSUs, medicines can be provided to the poor people at cheaper rates, the Department of Pharmaceuticals explained as under:

'Presently, the private pharma industry in the country is well developed, competitive and able to fulfill the domestic requirement in addition to export market. Out of total ₹ 2 lakh crore of annual turnover of the pharma sector, the turnover of the five pharma CPSUs is around ₹ 600 crore, i.e., hardly 0.3% of the total pharma production in the country. As such, even after closure/ strategic disinvestment of pharma CPSUs, medicines can still be provided to poor people at cheaper rates.'

HINDUSTAN ANTIBIOTICS LIMITED (HAL)

3.98 HAL was running as a profitable company till 1972-73. For the first time since its inception in 1954, HAL incurred a loss of ₹. 1.48 Cr. in 1973-74. This was due to the steep increase in prices of petroleum products, consequent to the oil crisis, which led to overall increase in the cost of production of Penicillin and other bulk drugs. The DPCO price for Penicillin, which was fixed in 1970 at ₹ 400/BOU, remained unchanged till 1976 then it was increased marginally by about 8%. Thereafter, the price remained constant for about another 5 years till 1981. Due to non revision in DPCO prices, HAL incurred losses since 1973-74. To make good the cash loss from 1973-74 to 1981-82, non-plan loan was taken from the Government. of India at varying interest rate to meet the working capital requirements. The interest liability added further burden on the company as the prices for the products fixed by DPCO remained, by and large, constant.

3.99 To overcome this problem, the company put up a proposal in 1982 to write-off this non-plan loan as it was the policy of the Government. of India not to increase the price of essential life saving drugs needed for Government. hospitals and the general public. However, the entire loan and interest accumulated thereon was converted into a non plan loan.

3.100 The DPCO price for Penicillin-G and Streptomycin, which was revised in 1982, remained constant for almost 5 years and the next revision was granted only in 1987. Consequently the company continued to incur losses till 1987-88.

3.101 When asked whether the availability of cheaper China-made Pencilling adversely impacted the plans of HAL on starting a plant for production of Pencillin, and did any court ever consider taking a policy decision for protection of indigenous products from such cheap imports; the Department of Pharmaceuticals stated as under:

'The Court did not take any decision for protection of indigenous products from cheap imports from China.'

3.102 As a result of the losses incurred during the period 1982 87, the company had again approached the Government. for write off of the non plan loan given during the period 1973-74 to 1981-82, which was subsequently converted into a new loan. Even though it helped to meet the demand of working capital, it had increased the interest burden on the company, thereby affecting the profitability of the company.

3.103 The Government of India vide letter No. 12(3)/90~PI (V) dated 18 March 1994 approved another capital restructuring w.e.f. 01 April 1992 converting outstanding loan into equity of the company. For implementing the above orders, certain statutory requirement as specified in the Companies Act such as issue of Government. Order under Section 81(4) of the Companies Act for converting the loan into equity share capital and specifying the terms and conditions, laying before each House of Parliament the said order for a period of 30 days (under Section 81(6) of the Companies Act), etc. were required to be complied. While these actions were in progress, the Company had fallen sick due to heavy losses incurred during the period 1993-94 to 1996-97 and the company was declared sick w.e.f 31 March 1997. As such the above restructuring order of 1994 could not be implemented and was made an integral part of the Rehabilitation Package, now under consideration by BIFR.

3.104 In 1997 if capital restructuring was done company would have shown profit and the operations would have been viable. Even though company was referred to BIFR and was declared sick on 31 March 1997, company continued its operation uninterruptedly. Government did not take any decision regarding revival of the company. Company again submitted the revised Rehabilitation plan in June 2004,. BIFR approved the rehabilitation scheme on 05 October2006 and issued notification on 05 June 2007. In this revival package, out of ₹. 137.59 Crore ₹. 5.00 Crore only was utilized by the company towards capital expenditure. The balance amount was utilized for the settlement of VRS claims of employees, statutory dues and payment of creditors. The sale of surplus land for raising the fund requirement of the company and also restarting of the bulk plants were envisaged. However, Government. did not take any decision regarding sale of surplus land and the funds could not be raised for running of the company. Restarting of bulk plants also could not materialize due to low cost bulk drugs available from ChIna. Even private companies such as Spic, Torrent, Alembic and J.K. Pharma also had to close down their operations for manufacturing of Penicillin-G. In addition to bulk drug manufacturing, HAL also had diversified into manufacturing of formulation drugs such as Cephalosporin dry powder injectables, Betalactum dry powder injectables, IV Fluids, Penicillin capsules, Penicillin Tablets, Non-Penicillin Tablets and Agricultural products. Some of these facilities were constructed recently to comply with WHO-GMP requirements. From these facilities they could achieve production of formulation products worth more than ₹.150-300 Crore. The Committee have been apprised that the company can run as a profitable organization with a minimum turnover of ₹. 150 Crore only after implementing VRS to 500 persons and clearing of all liabilities. Earlier, HAL was responsible for controlling the market prices of various essential drugs such as Gentamycin, Streptomycin, IV Fluids etc. The private companies are interested in making huge profits by selling it as brand products. Government companies are mainly supplying the essential drugs as Generic medicines. Government companies always maintain high quality of the products and never compromised on the quality. Hence it is essential to revive Hindustan Antibiotics Ltd. and continue it as Public Sector Enterprise.

3.105 HAL has drawn business plans for next 5 years and it can run as a profitable organization from the year 2018-19 with a turnover of ₹ 152.50 Crore and the profit of ₹2.14 Crore. Production of ₹ 261.50 Crore and profit of ₹ 28.33 Crore is envisaged in the year 2021-22. HAL also wants to be part of “Make in India” initiative by reducing drugs imports from China and to ensure drug security of the nation.

F. <u>Petroleum Sector</u>

<u>BHARAT PETRO RESOURCES LIMITED (BPRL)</u>

3.106 Bharat Petro Resources Limited (BPRL) is a wholly owned subsidiary of Bharat Petroleum Corporation Limited (BPCL) and engaged in Oil and Gas Exploration & Production (E&P) activities in India and overseas, a strategic sector to ensure energy security for the country which would greatly support the national policy. BPRL was incorporated in October2006 and was upgraded to Schedule B category by the Department of Public Enterprises (DPE) in November 2013, considering the strategic importance of the sector and the growth in terms of value creation for the organization through world class discoveries. BPRL had adopted the strategy to foray into upstream business through the exploratory route, targeting assets in exploration phase due to low cost of entry and limiting of risk in any one asset/region. The gestation period before commencement of production in the exploratory route model is significant/high (typically 10 to 15 years). During this phase, progressive capex investments are necessary before revenues commence. This approach provided the highest potential for maximizing value as compared to entering into producing or near producing assets which generally entail a considerably higher entry cost besides associated risks.

3.107 As on 31st March 2017, BPRL, had participating interest (PI) in 22 blocks spread across 6 countries along with Equity stake in 2 Russian entities holding the license to 4 producing assets. Of these, 12 blocks are in India, 6 in Brazil, and 1 each in Mozambique, Australia, East Timor and Indonesia. Also, BPRL is the lead operator in an Indian on-land block in the Cambay Basin in India.

3.108 BPRL has achieved substantial & successful results in exploration with 26 discoveries in five Countries. i.e. Brazil, Mozambique, Indonesia, Australia and India.

3.109 BPRL, has attracted considerable interest of reputed market analysts and the investor community. BPRL's significant and distinct contribution to its parent company's valuation is acknowledged across stake-holder categories and this is being widely recognised as a key differentiator for BPCL's performance in its peer group. Further BPRL has been able to secure significant funding for its projects without recourse to its parent company i.e. BPCL.

3.110 BPRL currently has a substantial portfolio of discovered assets (Mozambique, India, Brazil, Indonesia, Australia) most of which are progressing to appraisal / development stage.

3.111 75 trillion cubic feet of recoverable natural gas resources has been discovered in Mozambique (BPRL holds 10% participating interest in the Block) and plans are under way to monetize the same by setting up of a 2 train LNG plant (of 6 MMTPA each) for initial Development.

3.112 In Brazil, significant oil and gas discoveries have been made in the Sergipe Alagoas basin for which appraisal plans are under way and BPRL is engaged with the Ministry of Mines and Energy, Brazil and the Petrobras (Operator) to expedite the development.

3.113 In Indonesia, a new prospect has been drilled with encouraging shows that will help in augmenting the already discovered reserves for progressing towards development.

3.114 The Madanam discovery in block CY-ONN- 2002/2 in Cauvery basin, India where ONGC is operator with BPRL as partner with 40% stake is currently under development and the oil production is expected to commence after grant of Petroleum Mining License (PML) by Tamil Nadu Government which has already been delayed by one and a half year. The full field development as per approved FDP will commence post grant of PML. The commissioning of the facilities and commercial production is expected to stabilize in 2018 post which consortium will enter into term contracts for sale of product. Further FDP for Pandanallur Block in Cauvery Basin in which BPRL holds 20% stake has been approved by DGH.

3.115 BPRL is the Lead Operator of one onland block CB-ONN-2010/8 in Cambay basin, Gujarat and has concluded a successful drilling campaign with two discoveries till date in the said block. Declaration of commerciality has been recommended by DGH and the Field Development Plan is under preparation.

3.116 BPRL has successfully bid for 2 offshore blocks and 3 onshore blocks in India in the just concluded Discovered Small Fields Bid Round 2016. After the award of the blocks, BPRL is undertaking a review of subsurface data and engineering studies for the 2 offshore blocks where the petroleum mining lease has been granted.

3.117 In order to have a balanced portfolio and substantial revenue generation, BPRL in Financial Year2016-17 acquired equity stakes in companies operating producing assets in Russia, in consortium with OIL & IOCL, through Special Purpose

Vehicles (SPVs) &Wholly Owned Subsidiaries (WOS), entitling the consortium of dividend from 2017-18 onwards.

3.118 BPRL acquired 7.89 % and 9.87% equity stake in two of the Russian assets along with Indian consortium with an investment of approx. ₹.7000 Crs with a mix of loan from BPCL and International bond. The Bond issue was oversubscribed by more than 3 times. The Russian asset acquisition has commenced yielding revenues in terms of dividend. The dividend for the last quarter of Calendar year 2016 was USD 27 MM (₹ 175 Crore). The Russian asset acquisition is expected to contribute USD 90 to 100 MM (₹. 600 Crore) as dividend every year going forward. That will lead to net cash flow of approx.USD 50 to 60 MM at Singapore subsidiary level after payment of Interest on the borrowings. Subsequent to the Russian transaction, the portfolio mix of BPRL has moved from that of Exploration, Appraisal and Pre-development stage to one which includes Producing assets.

3.119 As on 31 March 2017, BPRL has an authorized share capital of ₹ 3,000 crore and paid up share capital of ₹ 2,920 crore which is entirely held by Bharat Petroleum Corporation Limited (BPCL), the holding company. BPRL has recorded consolidated revenue of ₹ 50.92 crore and a consolidated loss of ₹ 500.03 crore for the financial year ending 31 March 2017. The consolidated loss was mainly due to fair valuation of financial assets and interest cost on loans taken for investments in overseas assets (Brazil and Russia). However, the consolidated loss appears high due to the non-consideration of dividend income from Russian assets which is reflected in the form of "Share of Profit/Loss in JV" which is classified as "Other Income" and not as "Revenue from Operations/Operating profit(as the acquisition was through the equity route in the share capital of the Russian entities).

3.120 During the Financial Year 2016-17, BPRL recorded its 1st revenue from the producing block in India amounting to ₹. 48 Crore and the same is expected to increase with additional producing wells. The expected revenue for Current Financial year is approx. ₹ 100 Crore. Production revenue from India and dividend from Russia can lead to BPRL generating profits at EBIDTA level in the next few years.

3.121 BPRL is therefore considered as a company under construction, hence the MoU is being finalized as applicable to Company Under Construction as per guidelines issued by DPE.

3.122 The stabilization of production from the Madanam block and a full financial cycle prior to dividend payout from the Russia entities is expected in Financial Year 2017-18. This is expected to lead to steady revenue generation from 2018-19 onwards resulting in a balanced portfolio of assets thereby turning BPRL into a self-sustaining/profit making company in the forthcoming years.

G. Civil Aviation Sector

3.123 The first major change in civil aviation took place in 1953, when Indian Parliament passed the Air Corporation Act taking over 25 odd domestic airlines and amalgamating them to create what is known as the Indian Airlines. Simultaneously, Tata Airlines was converted into Public Corporation and named as Air India. Indian Airlines begin serving domestic sector with limited access to neighboring countries and Air India started serving the international sector.

3.124 Government of India, considering the global scenario, appointed a high powered committee in July 1967 under Mr. JRD Tata to review the civil aviation sector to meet the challenges faced by the industry at that time and to cater to need of growing air traffic and cargo at international airports in India. On the recommendations of the Tata Committee, the International Airports Authority of India (AAI) was created in 1971 through act of parliament to manage four international airports in Delhi, Bombay, Madras and Calcutta, subsequently Trivendrum airport was also handed over to IAAI in 1991.

3.125 Further, continuing the process, the government created National Airports Authority (NAA) through act of parliament in 1985 to manage domestic airports. The authority was also made responsible for air traffic services and communication facilities. The regulatory functions remained with DGCA. In another major change and in order to achieve better resource utilization and cohesive management of air transport and airports, Government of India converted Air India and Indian Airlines into limited companies with effect from March 1994 through Air corporations (Transfer of undertaking and repeal) Act 1994. Further, both the airport authorities were merged into a new organization identity 'Airports Authority of India' by an Act of Parliament - The Airports Authority of India Act - 1994.

3.126 This was the time when government also deregulated its aviation policies and privatization initiative started in airlines and airports, which is still continuing.

AIR INDIA LIMITED

3.127 Consequent to the Government's decision to merge erstwhile Air India and Indian Airlines into a new company, as a first step, a new Company viz. National Aviation Company of India Limited (NACIL) was incorporated on 30 March 2007 with an Authorised and Paid-up Capital of ₹ 5,00,000 under the Companies Act and the Certificate to Commence Business was obtained on 14 May 2007. The entire paid-up share capital of newly formed NACIL was held by the Government of India. The final order on Merger was passed by the Ministry of Corporate Affairs on 22 August 2007. The Order was filed with the Registrar of Companies and the merger became effective 27 August 2007. Consequently, both Air India Limited and Indian Airlines Limited were dissolved without being wound up. As a result of this, all assets, liabilities, obligations of both these Companies were taken over by NACIL effective 27 August 2007. The appointed date of the merger is 1 April 2007. On 24 November 2010 name of the Company was changed from 'NACIL' to 'AIR INDIA LIMITED' by the order of the Registrar of Companies. It was decided that post merger, the new entity will operate under the brand name 'Air India', while "Maharaja' was retained as its mascot.

Present role

3.128 To carry on business in any part of the world as an airline and to provide air transport services.

3.129 To render and provide whether by itself or in association with other carriers all services and facilities as are necessary or desirable for the operation of air transport services in any part at the world.

3.130 To provide maintenance, servicing and repairing of machinery, equipment, ground and ram; handling operations, communication, security, cleaning and facilitation, passenger and cargo handling and storage services, cabin cleaning, flight handling and dispatch and training or personnel technical or otherwise.

Objectives and functions

3.131 Air India's objectives and functions are to :

(a) provide safe and efficient air transportation to traveling public.
(b) take effective steps to provide a high level of customer satisfaction;
(c) enhance its competitive market standing and Image as an international carrier;
(d) optimise its share of the air market to/from India consistent with the obectives of long term financial viability and sustainable growth;
(e) optimise the utilisation of its resources-Aircraft fleet and employees;
(f) To optimize its profitability and follow the necessary financial restructuring,
to embark on the path of sustainable growth in the longer term;
(g) achieve the highest level of safety of operations;
(i) provide connectivity to all regions in India and to destinations abroad.

Subsidiaries of Air India

3.132 The following are the wholly owned subsidiary of Air India Ltd., and as on 30 November 2017 the company's investments in these Companies was as under:

- Air India Air Transport Services Ltd ₹ 138.42 Crore
- Air India Express Ltd ₹780.00 Crore
- Air India Engineering Services Ltd ₹166.67 Crore
- Airline Allied Services Limited ₹402.25 Crore

3.133 Air India Ltd. has one more subsidiary company viz. Hotel Corporation of India Limited (HCI). As on November 2017 Company's investment in HCI is ₹. 110.60 Crore and that of Government of India is ₹. 27 Crore.

3.134 It had come out in media reports that Air India is making operational profits and has grown about 27% and Government is considering to give 30% cut in the loan burden. When asked, whether in the given circumstances, should the Government consider the national carrier to be sold out, CII submitted as under:

> 'The primary criterion for divestment of a CPSU is whether, under the current environment, the nature of business is of strategic national importance (such as defence, security, etc.) or in the case of a market failure/lack of market depth in the sector. The air travel sector is highly competitive with sufficient private competition. Therefore, the presence of a CPSU in this sector is redundant.'

CII further submitted the limited utility of Air India is:

- <u>To fly routes which may be commercially unviable (including opening up new routes) for political, economic or strategic reasons (e.g., flights to select African countries to counter Chinese presence), for the private airlines</u>

  Over the years, this requirement has dwindled. However, even for this purpose, the Government could encourage private airlines to fly select commercially unviable / not-so-viable routes by recommending use of low-capacity aircrafts or offering suitable short-term incentives. It may be noted that the Government has already launched the Udaan scheme to provide connectivity to remote areas and enhance access to under-served regions.

- <u>Assist in emergency evacuations</u>

  In the past, Air India has played a significant role in assisting in mass-scale evacuations during natural disasters or from war zones. Post divestment of Air India, such assistance, when required, may be sought from the Indian Armed Forces. For instance, the evacuation effort in the aftermath of the April 2015 Nepal earthquake was led by the Indian Air Force and Indian Army. The Government may also consider ensuring that it has the power to requisition additional aircrafts, from private players, should the need arise in cases of emergencies.'

The details of subsidiaries of Air India are as under :

Air India Air Transport Services Ltd. (AIATSL):

3.135 AIATSL, a wholly owned subsidiary of Air India operational zed on 1 February 2013 and started it's independent operations effective April 2014, presently provides ground handling services at 67 Airports in India.

Air India Express Ltd. (AIEL)

3.136 A wholly owned subsidiary of Air India operates international stations in Gulf, Middle East and South East Asia.

Air India Engineering Services Ltd. (AIESL)

3.137 AIESL, a wholly owned subsidiary of Air India was operationalized on 1st February 2013 and became operational only w.e.f. 1 January, 2015. It has bases at Delhi, Mumbai, Hyderabad, Trivandrum, Nagpur and Kolkata for carrying out the Maintenance, Repair and Overhaul (MRO) activities for various types of Airbus and Boeing Fleet.

Airline Allied Services Limited (AASL):

3.138 A wholly owned subsidiary of Air India Limited which operates under the barand name Alliance Air provides connectivity to Tier II and Tier II cities and acts as feeder to Air India and Air India Express.

Hotel Corporation of India Limited (HCI)

3.139 HCI has four Units viz. Centaur Hotel, Delhi, Chefair Delhi, Chefair Flight Catering, Mumbai and Centaur Lake view Hotel, Srinagar.

3.140 When asked to furnish a detailed note on the deteriorating financial status of Air India, the Company furnished the following information :

> "The global recession which started in 2007-08 led to deterioration in the aviation environment adversely impacting Air India. The global recession and slowing down of the economy led to cut throat competition whereby both the passenger carriages and the passenger revenue yields experienced steep decline. Additionally, the prices of Aviation Turbine Fuel (ATF) also showed a

consistently upward trend whereby crude oil prices peaked in July 2008. Barring 2009-10 (when the prices declined) the ATF prices adversely impacted the bottom line of the company during the period 2007 to 2011.

Apart from the above, the financials of the Company were also affected due to increase in interest costs on enhanced borrowings for both aircraft acquisition as well as working capital requirements (due to the committed plans to acquire 43 Airbus and 50 Boeing aircraft, finalized prior to merger). The depreciation on new aircraft as well as in crease in wages for wage arrangements (committed prior to merger) and enhancement of Gratuity Limits from Rs. 3.5 lakhs to Rs. 10.00 lakhs also contributed to the losses of the company.

The main reasons for the losses suffered by Air India since merger are the following :

Increase in fuel costs

Increase in interest cost on working capital loans

Increase in interest cost on aircraft acquisition

Increase in wage cost due to implementation of various wage agreements, the full impact of which was post 2007

Global recession and decline in traffic

Increase in competition - low cost carrier in the domestic market occupying nearly 70% of the market share resulting in decrease in yields

Increase in capacity mounted by the international carriers in and out of India

Increase in landing, handling and other airport related charges

Increase in depreciation due to aircraft acquisition

Depreciation of the INR against USD in the last ten years

The above have resulted in the total accumulated loss of Rs. 49,218 crores during the period 2007-08 till 2015-16.

However, it may be stated that the company has been constantly improving its overall financial and operational performance and there has been a consistent decline in Operating Losses on year-to-year basis since the implementation of TAP/FRP in 2012.

In fact, the Company in FY 2015-16 has earned an Operating Profit of Rs. 105.00 crores as compared to the Operating Loss of Rs. 2636.18 crores in the previous year. This is the first time that the Company achieved an Operating Profit since its merger in 2007-08 and has also pre-poned the achievement of this target by two years as compared to the timelines set in TAP/FRP."

3.141 When asked to give concrete views / proposals / suggestions / requirements to make Air India into a profit making Company, Air India submitted the following information :

'As a part of the Turnaround strategy for Air India Ltd, the company with the overall support of the Govt. has initiated a number of steps in order to cut costs and losses. These steps inter-alia include the following :

"Setting up a Route Rationalization Committee to ensure revenue maximization by continuously looking at load factors, revenue yields and competitor fare structure and responding immediately to the same;

Joining of Star Alliance

Introduction of brand new aircraft on several domestic and international routes to increase passenger appeal;

Phasing out and grounding of old fleet;

Leveraging the assets of the Company to increase MRO revenue and revenue from Company's real estate properties;

Introduction of PSS (Passenger Services System) to have a single code and SAP ERP based Solutions;

Establishment of Integrated Operations Control Centre and Hub Control Centre in Delhi;

Operationalization of Subsidiary Companies such as AIATSL & AIESL and transfer of manpower and equipment and treating them as Independent Profit Centres;

Induction of the B-787 aircraft on Medium Capacity/Long Haul Routes'.

3.142 When asked about the current status of Air India and about the Government's intent on sale, revival/disinvestment on Air India, the Company in a written note submitted as above: -

"The details of the Income, Expenditure and Profits/Losses of Air India dueing the last three years are given here under:

(Rs. in crores)

Particulars	**2014-15**	**2015-16**	**2016-17**
Total Revenue	**20606.27**	**20524.56**	**20032.29**
Total Expenditure	**26466.18**	**24361.33**	**25797.45**
Net Loss	**5859.91**	**3836.77**	**5765.16**

The DPE conveyed to the Committee through their written reply about the information as received from Ministry of Civil Aviation as under:

" NITI Aayog submitted its recommendations (Fourth Tranche) on Strategic Disinvestment of the Central Public Sector Enterprises on May 12, 2017. The Aayog after inter-ministerial consultations has made recommendations on Air India and five of its subsidiaries. In its recommendations, the Aayog had given the rationale for the disinvestment of Air India and had listed the following main points : (i) Fragile Finances: AI has been incurring continuous losses and has huge accumulated losses. It is incurring a cash deficit of around Rs. 200-250 crore per month mainly on account of huge debt service burden. The losses can also be attributable to the decision of merger taken in 2007 wherein two very different organisations with disscimilar equipment and human resources practices were intended to be merged."

Further, NITI Aayog in its report on Air India has stated that further financial support in a mature and competitive aviation market would not be the best use of scarce financial resources of the Government. The Cabinet Committee on Economic Affairs (CCEA), in its meeting held on 28.06.2017, has given in principle approval for considering strategic disinvestment of Air India and its five subsidiaries.

The Cabinet Committee on Economic Affairs (CCEA), in its meeting held on 28.06.2017, has given in principle approval for considering strategic disinvestment of Air India and its five subsidiaries as per the recommendations of NITI Aayog.'

H. Social Sector

SECURITY PRINTING AND MINTING CORPORATION OF INDIA LIMITED (SPMCIL)

3.143 Security Printing and Minting Corporation of India Limited (SPMCIL), a Miniratna Category-I, Schedule-'A' Central Public Sector Enterprise (CPSU) was incorporated on 13th January 2006 to manage four India Government Mints, two Currency Presses, two Security Presses and one Security Paper Mill, which were earlier being managed directly by the Government of India (Ministry of Finance). The Corporation is wholly owned by the Central Government having Authorized Share Capital of ₹2500 crore and paid-up of₹1182.49 Crore as on 31 March 2017.

3.144 The Client of two Currency Presses, i.e. Bank Note Press (BNP), Dewas and Currency Note Press (CNP), Nashik is Reserve Bank of India (RBI) for Currency Notes. For other two Security Presses, i.e. Security Printing Press (SPP), Hyderabad and India Security Press (ISP), Nashik, the clients are State Governments for Non-Judicial Stamp Papers and allied stamps and Postal Department for postal stationery, stamps, etc. Security Presses also produce various security items like cheques, railway warrants, income tax return order forms, saving instruments, commemorative stamps etc. for various clients and passports, visa stickers and other travel documents for Ministry of External Affairs and Ministry of Home Affairs. For four Mints at Mumbai, Kolkata, Hyderabad and Noida, the client is Department of Economic Affairs (DEA), Ministry of

Finance for Circulating Coins. The Security Paper Mill at Hoshangabad manufactures Security Paper for use of Currency / Security Presses.

3.145 The Company had reported a net loss of ₹352.07 Crore in the financial year 2014-15 on account of revision in selling price of circulating coins and postal items retrospectively by the Government of India. The selling price of circulating coins were revised retrospectively from the financial year 2008-09 onwards and price adjustment was made from the financial year 2008-09 to 2012-13 aggregating to ₹1090.58 Crore in the accounts for the financial year 2014-15. Further, the selling price of postal items were revised retrospectively from the financial year 2006-07 onwards and price adjustment was made from the financial year 2006-07 to 2013-14 aggregating to ₹ 71.45 Crore in the accounts for the year 2014-15. The net impact of price adjustment was ₹ 706.10 Crore in the year 2014-15 after writing back the price difference provision pertaining to circulating coins and postal items for ₹ 455.94 Crore created in the earlier years.

3.146 The background of price revision is that the fair price of postal items for the financial years 2006-07 to 2013-14 and fair price of circulating coins for the financial years 2008-09 to 2012-13 have been finalized by Cost Account Branch(CAB) [(now Chief Adviser Cost (CAC)] and approved by Ministry of Finance. A Committee was constituted in June 2008 to study the costing of circulating coins of all the Mints and recommend the fair prices of different denominations of circulating coins. The Committee studied the costing of circulating coins produced by all the Mints for the financial year 2007-08 and also the impact of 6th CPC on the salary and wages of the Company. The Committee submitted its recommendations in June 2009 recommending the fair price of circulating coins with 10% mark-up and SPMCIL had raised its sales bills for circulating coins for the financial years 2008-09, 2009-10 and 2010-11 on the rates recommended by that Committee. The Department of Economic Affairs, Ministry of Finance had also released all payments to SPMCIL till the financial year 2010-11 on the basis of selling prices of coins recommended by the Committee headed by Shri M. Deena Dayalan, then Joint Secretary& Financial Adviser. There was no point of difference on the prices of coins till financial year 2010-11.

3.147 Thereafter, another Committee was constituted by the Ministry of Finance on costing of circulating coins to recommend the fair price of circulating coins from financial year 2011-12 onwards. However, the terms of reference of the Committee was modified to also include the costing of circulating coins for the financial years 2008-09, 2009-10 & 2010-11 for the purpose of determination of fair price of circulating coins. The details of price adjustments made in the financial year 2014-15 concerning to the earlier years in respect of circulating coins and postal items are as follows:

(Amount in ₹ Crore)

Sl. No.	Financial Years	Price Adjustment for Circulating Coins	Price Adjustment for Postal Items
1	2006-07	-	(2.68)
2	2007-08	-	(2.75)
3	2008-09	(157.71)	(23.38)
4	2009-10	(325.87)	(35.04)
5	2010-11	(211.36)	(6.14)
6	2011-12	(189.41)	4.77
7	2012-13	(206.23)	0.38
8	2013-14	-	(6.62)
	Total	(1,090.58)	(71.45)

3.148 The aforesaid price adjustments had seriously impacted the profitability of the Company in the financial year 2014-15 and resulted into a Net Loss of ₹ 352 Crore in the financial year 2014-15. The Company has earned profits and created huge reserves in all the financial years since incorporation except the financial year 2014-15. The Net Loss of ₹352 Crore in the financial year 2014-15 due to price revision of circulating coins and postal items by Government of India retrospectively is an exceptional case.

3.149 The fact that by switching over to the return on capital, the net result is that the Company have downward revised the price. The price was reduced retrospectively which led to the loss to the Company. So the loss is not as a result of production process. When asked to throw some light on the difference between the conceptsof return on capital and mark up capital, SPMCIL in their written replies submitted as under:

'Due to change in pricing methodology from cost plus mark-up to cost plus return on capital employed retrospectively, the Company got a hit in the financial year 2014-15 resulting into net loss of ₹ 352.07 Crore in that year. Under the cost plus mark-up method, the Company was paid on the basis of return (mark-up) on total cost. However, under the return on capital employed method, the capital employed in each segment had been computed. Capital Employed means the value of all fixed assets (fixed as well as working capital) employed in a business segment. The selling price of circulating coins had been fixed consisting of total cost plus 12% (post-tax) return on capital employed. This had resulted into reduction in the selling price of such denominations of circulating coins. The adjustment in selling price of circulating coins from the year 2008-09 to 2012-13 for the aggregate amount of ₹ 1090.58 Crore and adjustment in selling price of postal items from the year 2006-07 to 2013-14 for the aggregate amount of ₹ 71.45 Crore had caused the net loss of ₹ 352.07 Crore in the financial year 2014-15.'

3.150 SPMCIL is not market driven or demand driven PSU and its profit is dependent on the orders/indents received from the Government of India. When asked the main reason for forming a Corporation, SPMCIL in their post evidence replies clarified as under:

'The nine units earlier functioning under the Department of Economic Affairs (DEA), Ministry of Finance were corporatized and transferred to SPMCIL on 10 February 2006 to achieve the following objectives:

(a) The corporatization was necessary for the overall improvement in decision making process, operational flexibility coupled with commensurate accountability fostering efficiency and higher productivity in the units leading to reduction of Government expenditure in terms of managing the units besides inculcating efficiency through rationalization of operational hassles and flexibility in employing advanced technology.

(b) Corporatization of the units under the unified corporate was necessitated to enable the management to take appropriate and timely decisions for manpower deployment, improving financial performance and fixing of performance and productivity standards.

3.151 When asked whether they have gained really from forming the CPSU and is there a rethinking in the Company about its future status, SPMCIL in a written note submitted as under:

'The Company has fulfilled all the objectives of corporatization of nine units of Government India. The Company has considerably increased productivity, turnover, profits & profitability per employee. Production of major products has substantially increased after corporatization. Efforts are being made for modernization and capacity enhancement of all the units and indigenization of security products. SPMCIL is poised to take-up production of currency, coinage and other security products completely not only for India but also for other countries. SPMCIL has the confidence to rise to many challenges and to improve its performance with competitiveness.'

Present status of SPMCIL

3.152 When asked about the present status of the Company, SPMCIL stated that there is a constant improvement in the performance of the Company and its Revenue from Operations has increased to ₹5966.02 Crore in the financial year 2016-17 from ₹4509.45 Crore in the year 2014-15. The company has earned a net profit of ₹615.68 Crore in the year 2016-17 as compared to Net Loss of ₹352.07 Crore in the financial year 2014-15. The Company has prepaid the full amount of Term Loan of ₹1182.44 Crore to Government. of India within a short span of less than two years while the term of the loan was for 25 years and thus it has become Debt-Free as on date. SPMCIL has paid a Final Dividend upto 5% of Net worh of the Company as at 31 March2017 amounting to ₹227.64 Crore plus applicable Dividend Distribution Tax to the Government of India for the financial year 2016-17 in accordance with the guidelines on Capital Restructuring issued by Department of Investment & Public Asset Management (DIPAM). The proposal for buyback of shares from Government of India upto 10% of Paid-up Capital in compliance of guidelines issued by DIPAM is also under effective consideration of the Company.

3.153 When asked about the Company's future plans, SPMCIL stated that the Company has fulfilled all the objectives of corporatization of nine units of Government of India. The company has considerably increased productivity, turnover, profits & profitability per employee. Production of major products has substantially increased after corporatization. Efforts are being made for modernization of security products SPMCIL is poised to take-up production of currency, coinage and other security products competitively not only for India but also for other countries. SPMCIL has the confidence to rise to many challenges and to improve its performance with competitiveness.'

3.154 When asked about the main reason for the supernormal profit during 2016-17 and is the profit sustainable in the coming years, and is the profit in anyway linked to the demonetization exercise that was brought during November 2016, SPMCIL in a written note submitted as under:

‘The Sales Turnover and Profits of the Company in the year 2016-17 have increased due to demonetization of ₹ 500 and ₹ 1000 denominations banknotes by the Government of India on 8 November 2016. The sustainability of the profits of the Company depends upon the indents from RBI/ other customers.’

IV. POLICY REGULATIONS AND GUIDELINES FOR CPSUs

4.1 As per information furnished by the Department of Public Enterprises, the Companies Act, 2013 Chapter XIX refers to Revival and Rehabilitation of Sick Companies and Chapter XX to winding up of the Companies. The decision whether a company has become a sick company would be taken by the Tribunal (National Company Law Tribunal). The Administrative Ministries/ Departments have to keep a track of the debts of CPSUs and take advance action to avoid a situation where the CPSUs may be considered fit to be declared sick entity as per provisions of the Companies Act, 2013.

4.2 The administrative ministry shall, at the end of the each financial year, analyse the performance of its CPSUs to classify them by a specific order in the following categories within 6 months of the closure of the financial year or within one month from finalisation of Annual Accounts, whichever is earlier.

<u>Sick CPSUs</u>:

A CPSU shall be considered sick if it meets one of the following criteria:

a. if it is declared sick as per the provisions of the Companies Act, 2013.
b. if its net worth is negative.

<u>Incipient sick CPSUs</u>:

A CPSU would be consumed incipient no ll it new one of the following criteria:

a. if its net worth is less than 50% of its paid-up capital in any financial year.
b. If it had incurred losses consecutively for three years.

<u>Weak CPSUs</u>:

A CPSU would be considered weak or sub optimally performing if it meets one of the following criteria:

a. if its turnover or its operational profit has declined by more than an average of 10% in the last 3 years.
b. if its profit before tax is less than income from the other sources

c. it its trade receivable and inventories are More than 50% of net worth of the CPSU.

d. if the claims against the company, not acknowledged as debts, are more it on its net worth.

e. Any other criteria as may be prescribed to quantify early signs of weakness in the performance of the CPSUs by the Government.

4.3 When asked about the criteria applied for categorising the CPSUs as sick, incipient sick and weak, NITI Aayog informed as under:

"The Department of Public Enterprises performs this classification. As per DPE, The following criteria are used:

(i) The proposal for categorisation of CPSUs would be initiated by concerned administrative ministry/department and submitted to DPE, which would examine such proposal in consultation with Public Enterprises Selection board.

(ii) The proposal should contain performance of the CPSU in the last five years on the following parameters:

- Investment
- Capital Employed
- Net sales
- Profit Before Tax
- Number of employees and units
- Capacity addition
- Revenue per employee
- Sales/ Capital employed
- Capacity utilisation
- Value added per employee

(iii) The proposals for categorisation should also contain details of the following qualitative factors related to the concerned CPSE:

- National Importance.
- Complexities of problems being faced by the Company.
- Level of technology.
- Prospects for expansion and diversification of activities.
- Competition from other sectors.

(iv) The information on following factors, wherever available, are also included in the proposal for categorisation:

Share price.
MOU ratings
Maharatna/ Navaratna/ Miniratna status.
ISO certification.

(v) In addition to above factors, the critical/ strategic importance of the concerned CPSU is taken into account.

4.4 On the issue of need for any policy changes, CII suggested that following road map:

'The current business environment is characterised by continuous change, as a result of rapid technology advances and global inter-connectedness. Keeping this in mind, we suggest the following broad framework:

<u>Periodically assessing the need for a CPSU</u>

A thorough evaluation of CPSUs must be undertaken, in the context of the present-day environment. Only CPSUs which serve a strategic national objective or are present in sectors where the market has failed, should be retained. Other CPSUs should either be divested or closed down. Likewise, all CPSUs intended to be set up / in the process of being set up must also be evaluated using this filter. Further, other options (such as, offering short-term incentives to private players, partnering or incubating entities with a clear roadmap to divestment, etc.) must be considered before setting up a new CPSU.

It is possible that strategic needs or market conditions, in the future, may require the setting up of a new CPSU. For instance, areas of 'natural monopoly' such as Metros or suburban trains, may necessitate the setting up of a CPSU or a joint sector company. However, setting up a new CPSU in the future may be considered only in:

- areas of strategic significance; or
- market failure, including rare instances when there threatens to be a private sector monopoly; or
- to carry out functions taken on by the Government but requiring the freedom, managerial capabilities and responsiveness of a corporate entity (e.g., skill development or job creation).

Given today's rapidly changing business and technological environment, the need for all existing CPSUs must be reassessed every 3 years.

Permitting operationally flexibility and control

Given the current dynamic environment, whether in terms of market, customer or technology, the ability to make rapid decisions is critical. The management should be given operational freedom, including selection of personnel, as in the case of private players.

CPSUs must adhere to the highest standards of governance. However, excessive scrutiny from the Central Vigilance Commission and the Comptroller Auditor General, coupled with the threat of Central Bureau of Investigations often leads to stalled or over-cautious decision-making. Distinction must be made between mala-fide action and taking a business risk. The former needs to be punished, while the latter, protected. Further fraudulent and mischievous complaints (complaints with mala-fide intent) against CPSU management personnel should be penalised.

The private sector, while subject to statutory audits, is not faced with these levels of scrutiny, and thus can afford to take higher business risks.

Empowered and autonomous Board

Empowered CPSU boards, comprising independent experts, will enhance the quality of decisions, overall management supervision and governance, while ensuring that nearly all strategic decisions are taken at the Board level and not passed on to the respective Ministry thereby increasing the speed of decision-making.

For instance, the Board must be sufficiently empowered to take nearly all strategic decisions such as formation or dissolution of partnerships / joint ventures, mergers / acquisitions, appointment of CEO, creation of below-board level positions, etc. The Board must also be permitted to appoint new directors to replace retiring Board directors, as is the case with private organizations'.

4.5 When asked if any strong regulatory mechanism is required to prevent an unhealthy atmosphere / competition through undercutting of prices as is being done by many mobile companies, CII was of the view that:

‘Intense competition resulting in price or value-added services’ wars is a hallmark of any vibrant sector. Often in such cases, the customer / citizen is the beneficiary. As long as no player has received an advantage by undue means, and new or small players are not hindered due to regulatory reasons, the Government should permit market forces to shape the sector. Should intense competition result in consolidation of players, regulations such as the Competition Act, will prevent anti-competitive or monopolistic practices.’

4.6 On the same issue DPE in a written note submitted as under :-

'A strong regulatory mechanism is required to prevent the unhealthy atmosphere/competition through undercutting of prices in telecom sector. Telecom Regulatory Authority of India (TRAI) is mandated to prescribe tariff at which the services will be provided'.

4.7 On the same issue, NIPFP was of the view that there is a persistent problem of sick and loss making CPSUs that needs to be addressed. Over the years, the CPSUs have received large amount of government support. Many of these CPSUs were established at a time when the government considered it necessary to occupy the 'commanding heights' in most sectors of the economy, and strictly controlled entry and operations of the private sector. The times have changed, and the general consensus about what is a reasonable role for the Government has also changed. Therefore there is a need to reconsider the strategy for CPSUs, with a special focus on sick and loss making CPSUs. The strategy should be based on first principles as well as data analysis on the performance of CPSUs. Once a strategy is in place, it may be implemented over a period of time. The strategy proposed by NIPFP is as follows:

Principles for analysis

The financial performance of sick and loss making CPSUs is unsatisfactory, and many have requested for and received periodic support from budgetary resources. Over the years, this has become a significant drain on limited resources of the Government. Many of these CPSUs are in control of valuable resources (e.g. land, buildings, etc) that are, in many cases, not being put to good use.

Given the significant budgetary outgo for these enterprises, and the potential for more efficient uses of capital, land and labour deployed in such enterprises, action needs to be taken to ensure efficient usage of resources by the enterprises. Therefore, the primary objective for such CPSUs should be to device strategies that will help in efficient and effectives use of resources that CPSUs already control and the additional resources government may invest in them.

With respect to such enterprises, there are three strategies that Government could choose from: revival, sale, or closure. There are multiple ways of implementing each of these strategy. The following are the key ways in which each of these strategies can be implemented:

i. Revival: a CPSU's revival could be pursued on a standalone basis, it could be merged with another CPSU, or it could be revived through a strategic partnership or management contract with a suitable firm.

ii. Sale: a CPSU could be sold to another firm, or it could be listed in the stock markets and converted into a board-managed private sector company.

iii. Closure: Closure could be outright closure of the entire CPSU, or partial closure of certain businesses of a CPSU.

It is important to state the principles to be applied to choose between these strategies for any sick or loss making CPSU. Such principles should be uniformly applied to all CPSUs to recommend suitable strategies for each CPSU.'

4.8 NIPFP recommended that the following factors may be considered while recommending a particular strategy for a CPSU:

(i) Priority classification of the CPSU's activity: each CPSU may be classified as high or low priority from the point of view of the need for government ownership. Most of the CPSUs categorised as high priority should be considered for revival to improve their performance.

(ii) Enterprise value: among the low priority sick or loss making CPSUs, if a CPSU has some enterprise value, beyond the land or buildings they control, that can be realised by sale of the CPSU, it could be considered for strategic sale. If it seems that this is not the case, the CPSU should be recommended for closure.

4.9 On the issue of Prioritisation of CPSUs, NIPFP submitted as follows:-

The main question in evaluating the potential strategies for each of the CPSUs under consideration is the CPSU performing activities that necessitate government ownership, such that satisfactory outcomes cannot be obtained only through regulation of private firms? To categorise a CPSU as high or low priority, principles of classification need to be identified.

4.10 NIPFP further submitted that Disinvestment Commission, in their first report submitted in February 1997 had proposed classification of CPSUs into “strategic”, “core” or “non-core”. Majority government ownership was deemed desirable in the strategic and core CPSUs. Strategic CPSUs included those operating in four industries:

(i) arms and ammunition, and the allied items of defence equipment, defence aircrafts and warships,

(ii) atomic energy,

(iii) minerals specified in the schedule to Atomic Energy (Control of Production and Use) Order 1953, and

(iv) Railway transport.

4.11 Further, the Disinvestment Commission proposed two principles for classifying CPSUs as “core”.

(i) CPSUs operating in **sectors where oligopoly tends to form**. In such industries, even if private sector is allowed, government-owned enterprises may be required to provide countervailing force. The examples given were: telecommunications, power generation and transmission, petroleum exploration and refining.

(ii) Government-owned enterprises may be required in basic industries where private sector is not yet active.

4.12 NIPFP further added that - These principles were enunciated over two decades ago, and some of them now appear outdated. A regulated private sector can be engaged in railway transport, and even production of certain arms and ammunitions or other defence equipment. Similarly, most of the examples of core sectors cited in the report are no longer as suitable as they probably were about two decades ago (eg. Telecommunications, power generation, petroleum refining). The principle of basic industries can also now be revisited given the expansion of the private sector in India.

4.13 More recently, the 14th Finance Commission was tasked with recommending a strategy for “relinquishing non-priority enterprises”. The Commission provided a list of illustrative criteria that could be used for priority classification of CPSUs. These criteria are:

i. activity assessed as strategic in terms of public interest;

ii. the enterprises having earmarked or assigned natural resources with sovereign or quasi-sovereign functions;

iii. the enterprises required to cater to market imperfections;

iv. enterprises where returns on investments are higher than any alternative investment by the government; and

v. public utilities, where some presence of public enterprises may be desirable as a reference point for getting more reliable information for the regulators.

4.14 NIPFP contends that most of these criteria are relevant for prioritisation of CPSUs, but the principle of considering “returns on investments” or financial performance for prioritising an enterprise needs to be reconsidered. Prioritisation should be on the basis of the nature of the activity performed by the enterprise, and not the performance of the enterprise. Government could sell an enterprise that is performing well if it is deemed to be performing activities that the private sector can adequately perform. The resources thus unlocked could be used in other high priority enterprises or other government functions. As an example, even if the government owns a company which is very profitable in the business of making shirts, it is better to sell this firm as there is no case for public ownership in the making of shirts. On the other hand, sometimes, government may continue to support a loss-making enterprise because the nature of its activity necessitates such support. Hence, the criteria for prioritisation should be limited to the nature of the activity performed by the enterprises. In NIPFPs view, the criteria should include:

- Strategic importance**:** Does the enterprise serve such a strategic purpose that the government would like to retain direct control over it? CPSUs that are performing critical functions related to production of defence equipment or nuclear power production. These may not include CPSUs that are producing tools that may be going into production of defence equipment.

- Sovereign function: Does the enterprise serve a sovereign or quasi-sovereign function, so that it just happens to be an arms-length body performing a function that would otherwise have been performed by the government directly? CPSUs that are in control of natural resources that are low on tradability, and CPSUs that perform non-commercial functions otherwise performed by Government departments would qualify under this criteria. CPSUs that perform price support in certain sectors are examples of the latter category.

- Market imperfections: Does the enterprise perform adevelopmental function that the government may consider important, but the private sector is not likely to perform? CPSUs that are working to promote certain sectors or regions with a explicit developmental mandate would fall under this category. Such CPSUs cannot be sold because they are not meant to be purely commercial.

- Public utility necessary for regulatory information**:** Is theenterprise a public utility, where such presence of public enterprises may be desirable as a reference point for getting more reliable information for the regulators? It is understood that for regulation of public utilities, regulators need reliable information from regulated entities to ensure they are able to make sound regulations and effectively enforce them. A case can be made for public ownership of a few public utilities in each sector to provide benchmark information to the regulators.

4.15 NIPFP submitted that if a CPSU meets any of these four criteria, it may be categorised as high priority. Otherwise, it should be categorised as low priority.

4.16 NIPFP also proposed the methodology that could be followed for identifying CPSUs suitable for strategic sales, and prioritising sale among the identified CPSUs. The methodology, when applied to the list of CPSUs, would yield a subset of CPSUs to be sold through strategic sales, and also help in choosing CPSUs to be sold at the earliest. This could help formulate a medium-term plan for strategic sales of CPSUs. The methodology includes consideration for the nature of activities, financial performance, productivity, labour intensity, and market share, and it is as follows:-

Step 1: Classification as high priority or low priority

the first and the most important question for identifying CPSUs suitable for change of ownership is: do they meet any of the four tests of prioritisation given above? If the answer to this question is in the affirmative, a CPSU may be classified as high-priority. The high-priority CPSUs should continue to remain in government ownership. Government ownership could still allow for participation by private sector as minority shareholders, or as manager of a CPSU under management contract.

Step 2: Assessment of Enterprise Value

All low priority CPSUs can potentially be sold or closed. To choose between these two alternatives, it should be determined whether there is any significant enterprise value in the CPSU, beyond the land and buildings under its control, which can be realised by its sale. If such enterprise value is low, it should be considered for closure. This would be a reasonable option for some sick CPSUs.

All low priority CPSUs with significant enterprise value may be considered for sale. However, this is a long-term agenda, because there are a large number of such CPSUs. So, some other features of the CPSUs may be considered to identify those CPSUs that should be sold in short to medium term. This would help determine the order in which sale of various CPSUs may be conducted.

Step 3: Assessment of financial performance

Low priority CPSUs with significant enterprise value may be considered for sale. To determine the order in which such CPSUs should be sold, it may help to consider their financial performance. In this context, we propose using classification done by Department of Public Enterprises, which places CPSUs in sick, incipient sick, weak and other categories.

There is a strong case to prioritise sale of sick and incipient sick low priority CPSUs, if they have significant enterprise value, beyond the value of their land and buildings.

For the weak low priority CPSUs, we recommend using a trend analysis to assess whether the enterprise is at a high or low risk of becoming incipient sick or sick. The analysis would be based on recent performance on profitability and business-related indicators, and would consider sector-specific information would understand the trend in the context of a CPSU.

Those weak low priority enterprises who are at a high risk of becoming incipient sick or sick should be sold first. This is because once the enterprises become sick or incipient sick, it would be difficult to find buyers for them.

Step 4: Assessment of productivity of CPSUs

Although it could be argued that strategic sales should not be considered for financially healthy CPSUs even if they are low priority CSPEs, this is a very narrow perspective. Financial performance is only a partial indicator of a firm's health. What really matters in a decision about strategic sale is productivity of a firm. If, for example, the private firms in the same sector are found to be more productive, changing ownership of a government-owned firm in the sector would be socially beneficially, as it would enhance the productive usage of the resources in the firm. Moreover, weak low priority CPSUs that are not found to be at a high risk of becoming sick or incipient sick in the near term should be also categorised in terms of their productivity to identify those that should be sold in short to medium term. Hence, productivity measures can be used to classify such CPSUs, and prioritise the strategic sales.

The question is: do the resources (labour and capital) employed in a CPSU produce the same amount of output as they would have, were they employed in a private company, where their employment is driven by an efficiency inducing profit motive? This cost has been shown to be non-trivial and may significantly impact total factor productivity (TFP), i.e., the efficiency at the macro-level. TFP is a first-order key determinant of long-term economic growth.

Step 5: Strategic sale process

In strategic sale of a CPSU, there are two routes that are available: outright sale to another firm, or sale through stock markets. The market route has many advantages. First, the process of sale is well-established and understood. Second, concerns about manipulation and procedural infirmities may be allayed because the process is transparent and open.

For listed CPSUs, it makes sense to simply divest the shares through the market itself, so that Government's share goes below 50 percent over a period of time. For unlisted CPSUs, a choice needs to be made.

In our view, this choice can be made on the basis of the size of the CPSU. A CPSU above a threshold of size may be considered for sale through the market route. For smaller CPSUs, an auction-based mechanism may be used to achieve outright sale.

Political economy considerations

If the government so wishes, for firms identified for strategic sales, further prioritisation can be done on the basis of number of employees and market share of the enterprise. These indicators can help the government in choosing enterprises where the sale process is easier. Enterprises with a larger number of employees may be more difficult to sell. Further, enterprises with large market share may be difficult to sell because of challenges of finding buyers for such enterprises.

Firms with fewer than 1000 employees and less than 10 percent market share may be put up for sale first.

Table 1 summarises the recommendations about identifying CPSUs for strategic sales, and Table 2 summarises recommendations about determining the order of sale for the CPSUs identified for strategic sale. Among CPSUs being considered for strategic sale, those that are already listed or are above a threshold size should be divested through the stock market.

Table-1 :Strategy for CPSUs

Priority (based on 4 tests)	**Realisable enterprise value beyond land and buildings**	**Recommendation**
Low	Significant	Sale
	Insignificant	Closure
High		Revival

Table- 2 :Order of sale of low priority CPSUs with realisable enterprise value

Financial Performance	Risk of becoming sick/incipient sick	Productivity	Order of strategic sale
Profitable		High	5
		Low	4
Weak	High		2
	Low	Low	3
Sick/Incipient Sick			1

4.17 Further, any low priority CPSU that is sick or incipient sick, and does not have any significant enterprise value beyond the land and buildings it controls, should be recommended for closure.

V. RETAINING OF STRATEGIC CPSUs

5.1 The Government should play a critical role in sectors of national strategic importance, and areas where there is either market failure or insufficient depth of market. Interventions in other sectors, if required, may be undertaken through other means such as policy directives, incentives, etc. It emerged during examination that Government should retain strategic CPSUs and also be given preferrential treatment. When asked what would be those strategic areas and the kind of differential treatment that would be advisable for the strategic CPSUs, CII submitted as under:

'Strategic areas would conventionally be sectors related to defence, internal security, intelligence etc. However, in this context a balanced approach would be to look at efficiencies or opportunities that can be leveraged by India due to the presence of PSEs in those sectors. Loss making PSEs may be defined as organisations that have been continuously under loss for a period of 5-7 years, with at least 50% or more erosion of net worth or similar criteria being fulfilled. By their very nature, strategic PSUs are present in monopolistic markets to address national security or other key issues of national interest. The structure for these PSUs should relate to governance, accountability, and minimization of loss to the Government. Returns may be predicated on cost-plus basis, if possible.'

5.2 On the issue regarding retaining of strategic CPSUs by the Government and the nature of strategic CPSUs, NITI Aayog in a written note submitted as under :

"Yes. NITI Aayog agree with the suggestion. All CPSUs except under those in the strategic areas are eligible to be considered for strategic disinvestment. The strategic areas are: CPSUs serving National security purposes; CPSUs serving a sovereign or quasi-sovereign function that would otherwise have been performed by the Government directly; and CPSUs that are performing developmental functions that the Government may consider important, where the private sectors are not present or failing to perform".

5.3 The Committee while examining the stakeholders on the subject received divergent views on the term 'strategic' used for categorisation of CPSUs in retaining by the Government. The views are given below:-

Organisation	View on ‘strategic’ CPSUs
NITI Aayog	CPSUs serving national security purposes, sovereign or quasi-sovereign functions could be categorised as ‘strategic’ CPSUs and must be retained by the Government.
Department of Heavy Industry (DHI)	CPSUs providing essential goods and services and holding dominant market positions in petroleum, power, steel, mining and transportation sectors are ‘strategic’.
Bharat Petro Resources Limited (BPRL)	BPRL is a is engaged in Oil and Gas exploration in India and overseas supporting a national policy is a ‘strategic’ CPSU.
MTNL and BSNL	Communication is a ‘strategic sector’
Disinvestment Commission	Such CPSUs that operate in the following categories are ‘strategic’ (i) arms and ammunition, and allied items of defence equipment, defence aircrafts and warships, (ii) atomic energy, (iii) minerals specified in the schedule to Atomic Energy (Control of Production and Use) Order 1953, and (iv) Railway transport.
NIPFP	CPSUs that are performing critical functions related to production of defence equipment or nuclear power production are strategic.

5.4 When asked whether NITI Aayog held any consultations with the CPSUs before arriving at the definition of the term 'strategic' on which it is categorising the CPSUs, the Aayog stated as under :

> 'No. There was no consultation with CPSUs before arriving at the definition of strategic. However, the administrative ministry of CPSUs were consulted before determining whether a CPSU should be classified as strategic or not.'

5.5 When asked how the CPSUs were classified when there was no consensus amongst the CPSUs or any approval from the government on the definition of term 'strategic' , NITI Aayog in their written replies, submitted as under:

> 'NITI Aayog considered the definitions provided by the erstwhile Disinvestment Commission and the 14th Finance Commission. Disinvestment Commission in its first report submitted in February 1997, had proposed classification of CPSUs into 'strategic', 'core' or 'non-core'. Strategic CPSUs included those operating in four areas.
>
> (i) Arms and ammunition, and the allied items of defence equipment, defence aircrafts and warships;
> (ii) Atomic energy;
> (iii) Minerals specified in the schedule to Atomic Energy (Control of Production and use) Order 1953; and Railway Transport

14th Finance Commission was tasked with recommending a strategy for 'relinquishing non-priority enterprises'. The Commission provided a list of illustrative criteria that could be used for priority classification of CPSUs. The criteria are:

(i) Activity assessed as strategic in terms of public interest;
(ii) Enterprises having earmarked or assigned natural resources with sovereign or quasi-sovereign functions;
(iii) Enterprises required to cater to market imperfections;
(iv) Enterprises where returns on investments are higher than any alternative investment by the Government; and
(v) Public utilities, where some presence of public enterprises may be desirable as a reference point for getting more reliable information for the regulators.

Administrative Ministries are consulted before a final decision is taken on classifying a CPSU as strategic or not. NITI Aayog assesses the Ministry's arguements but takes a final decision on the basis of the criteria devised by NITI Aayog.'

5.6 The Committee on Public Undertakings (1997-98), Eleventh Lok Sabha, in their 11th Action Taken Report had observed as under:

'Nevertheless it would be unfair to hold a view that investments should not be made even for revival of a sick PSU just because it is in the non-core or non-infrastructural sector. The Committee would like to reiterate their earlier recommendation that when it comes to a question of rehabilitation of existing PSUs, there should be no hesitation on the part of the Government to make the required investments'.

5.7 On the issue of strategic importance to run BSNL and MTNL, MTNL in a written note submitted as under:

'Since its formation in 1986, MTNL has played a pre-eminent role in the provision of telecom services in two key metro areas of Delhi and Mumbai. The National Telecom Policy-2012, approved by the Cabinet on 31st May 2012, recognizes the strategic importance of Telecom PSUs in nurturing and enhancing Government's intervention capabilities in matters of national security or international importance, including execution of bilateral projects funded by Government. It serves security needs in areas of strife and conflict and is also the principal vehicles for fulfilling the socio-economic obligations of Government by implementing projects of national importance for Government. MTNL and BSNL also play a key role in balancing market forces in the interest of consumer besides supporting implementation of Government programs like Digital India, USOF etc.'

5.8 On a query regarding whether the telecommunication is a strategic sector, the Department of Telecommunications in a written reply to the DPE submitted as under:

'As per the information furnished by Ministry of Communications, Department of Telecommunications, the PSUs have played a pre-eminent role in provision of telecom services in the country, particularly in rural, remote, backward and hilly areas. Contribution of BSNL and MTNL to broadband penetration in the country is significant. The importance of PSU in meeting the strategic and security needs of the nation can also not be understated.

The PSUs also play a key role in balancing market forces in the interest of consumer. Even belated entry in mobile services in 2002, it resulted into a substantial reduction in tariff offered by private operators thus demonstrating the ability of the PSUs to balance the market forces in the interest of consumers.

Presence of PSUs like BSNL and MTNL enhances the Government capabilities to facilitate in matters of national security/natural calamity or international importance, including execution of bilateral projects funded by Government of India. It serves security needs in areas of strife and conflict and is also the principal vehicles for fulfilling the socio-economic obligations of Government by implementing projects of national importance for Government. Government cal also provide vital support for domestic manufacturing of Indian Telecom Products through/within Telecom PSUs for deployment of indigenously developed Telecom products with Indian IPR. PSUs serves security needs in areas of conflict and is also the principal vehicles for fulfilling the socio-economic obligations of Government by implementing projects of national importance for Government like BharatNet.'

5.9 On a query, regarding the retaining of CPSUs in the pharmaceutical sector, the Department of Pharmaceuticals in a written note submitted as under:

'A High Level Committee of the NITI Aayog after reviewing sick/ loss-making, non-performing CPSUs, decided that the ‘prioritization’ of PSUs should be on the basis of the nature of activity performed by them and not on their financial performance. Accordingly, it categorized the PSUs on the basis whether they were serving any strategic purpose related to national security, performing sovereign or quasi sovereign functions, involved in an important developmental function where private sector was failing to perform or a public utility, or where presence of public enterprise was desirable for serving public purpose. Any PSU, which met one of the above mentioned four criteria, was categorized as ‘high priority’. Otherwise, it was categorized as a ‘low priority’. Pharmaceuticals PSUs, which were not performing any of the above functions were categorized by the NITI Aayog as low priority sector. The Committee, after examining 74 such PSUs, gave its recommendations regarding revival/ merger/ sale/

transfer to the State Government/ Closure/ lease/ Strategic Disinvestment etc. in respect of each PSU.

The Committee of NITI Aayog decided to keep its recommendations in respect of Pharma PSUs in abeyance, till the decision was taken by the Ministers' Committee. The senior Ministers, after detailed deliberations, have recommended for closure of IDPL & RDPL and strategic sale of HAL & BCPL. The recommendations of the Ministers have been accepted by the Union Cabinet. '

VI. AUTONOMY OF CPSUS

6.1 During examination of the subject, CII were of the view that CPSUs are often seen as implementers of government policies and priorities, beyond their business objectives. The same set of rules and guidelines need to be applicable for all companies in the sector, irrespective of ownership, in order to arrive at a balanced view. In this context, when asked what would be the exact role of the Government and CPSUs and whether there should be no distinction between the private sector and the public sector, CII stated as under:

'the Government should play a critical role in sectors of national strategic importance, and areas where there is either market failure or insufficient depth of market. Interventions in other sectors, if required, may be undertaken through other means such as policy directives, incentives, etc. For a CPSU to be successful, the roles and responsibilities of the owner (the Government), the management and the Board must be clearly defined. In other words, there must be a well-documented ownership policy, to avoid either passive ownership or excessive interference. The Government's role, as the owner, is to set an overall vision and incubate the firm. All operational decisions should be left to an appropriately experienced professional management team. Further, an independent and empowered Board, comprising experts, will significantly enhance the quality of decisions, overall management supervision and corporate governance of the CPSU. The Board must be sufficiently empowered to take nearly all strategic decisions such as formation or dissolution of partnerships / joint ventures, mergers / acquisitions, appointment of CEO, creation of below-board level positions, etc.

The Government, from time to time, may want to evaluate the need for the CPSU under the then prevailing circumstances. CPSUs typically fulfil a social need or a gap in the market. To this end, their vision varies from the private sector. As a consequence of the nature of business the CPSU is expected to undertake, the criteria for success and benchmarks for acceptable financial performance is likely to differ from the private sector players. In order to have a level playing field and promote competition, there should be no distinction between private and public sector companies as far as the regulator and regulations/rules are concerned. It works against the principles of competition to either tie the hands of CPSUs through differential constraints on them, or to give them special preferences of any kind. In the exceptional instances of a CPSU having to serve a broader public need on Government instructions, the amount so involved may be reimbursed by government to the CPSU.'

6.2 When asked to clarify if CII was suggesting for an accountable Ministry or an accountable Board driven CPSU, CII clarified as under:-

'CII recommends that the CPSU Boards be accorded independence, authority and autonomy. This would aid CPSUs to transform from being ministry-driven to Board-driven.At present, though, most CPSUs tend to be subject to excessive interference from the concerned ministry and have little authority or independence in decision-making. Under these circumstances, the administrative ministry could be held responsible for the decisions taken in relation to the CPSU and the consequent outcomes.'

6.3 On the same issue, the Department of Pharmaceuticals submitted as under:

'This is a policy matter, which falls under the domain of DPE, which had recently organized wide ranging deliberations at the level of CPSU, with Government's Directors on the Board of CPSUs, with administrative Ministries concerned, which culminated in a CPSU Conclave held at the level of Prime Minister. In pursuance of the decision taken at the Conclave, DPE would be preparing an action plan laying down the roadmap to achieve the identified targets.'

6.4 On the same issue regarding autonomy to be provided to CPSUs in their functioning, Department of Heavy Industries (DHI) gave their views as under:

'I would say, many a times, fairly generous devolution of autonomy to PSUs under different categories. They have been classified under various Ratnas, Maharatnas, Navratna, Mini-Ratna and a considerable degree of operational freedom has been given to the PSUs. So, as far as their operations and they are even free to invest their resources. So, if they were prudently running businesses and had surpluses, then it would be entirely possible for them to manage any impacts and surprises from the environment, etc. But, once they get into difficulty for some reason, thereafter of course, the processes have been time consuming. The decision is not just being taken in DHI. We have to consult and finally parting with the resources of the Government has to be done in consultation with various stakeholders within the Government. Many a times, that process does take time. It may be overtaken by other developments in the meantime. Those things have happened and that has been responsible for some of the cases being where they are today.

6.5 *NITI Aayog in a written note had stated that is was mandatory for Boards/ Ministries to obtain the approval of NITI Aayog before setting up of a Joint Venture. The reason behind such decision was stated to be to prevent the creating of unviable subsidiaries. However, on being asked as to whether with the new system in place, NITI Aayog should be held responsible for any loss accrued due to creation of the Joint Venture(JV) or subsidiary by the CPSUs/Ministry, NITI Aayog in a written note submitted as under:*

'NITI Aayog is not responsible on account of loss incurred by JV or subsidiary of CPSUs. Ensuring profitability is the responsibility of the parent or partner CPSU.'

6.6 When asked, whether this mandatory approval was not a dent on the autonomy of CPSUs, NITI Aayog stated as under:

'No. Being owned by the Government, CPSUs are ultimately using Government money for the purpose of setting up subsidiaries and JVs. The process only adds a layer of due diligence.'

6.7 When asked whether any guidelines have been framed for the CPSUs/administrative Ministries to be followed before submitting proposals to NITI Aayog for approval on setting up of new JV or subsidiary and also whether any time-frame was fixed within which such approval would be granted by NITI Aayog, the Aayog clarified as under:

'No. formal guidelines have been set by NITI Aayog. CPSUs and administrative Ministries must explain the rationale for setting up of a subsidiary or JV. There is no fixed time-frame.'

6.8 On a suggestion regarding provision of level playing field for CPSUs with their private counterparts and exempting them from complying to CVC scrutiny, C&AG guidelines, scrutiny from CBI etc., CII stated as follows:

'CII is committed to organizations – CPSUs or private players – operating under the highest standards of governance. It is not our intent to suggest that governance standards be lowered. However, the extent of scrutiny that CPSUs are subject to, in the form of the Central Vigilance Commission and the Comptroller Auditor General, coupled with the threat of Central Bureau of Investigations, is not comparable to the statutory audit requirements imposed on private players. We recommend that CPSUs be subject to the same governance standards as private players. Naturally, the governance standards, themselves, as applicable to all companies, may undergo change from time to time. Empowered Boards, comprising independent experts, will help enhance the quality of
s, overall management supervision and governance.'

6.9 Regarding the autonomy on procurement processes, when asked what were the reasons for not being able to procure equipment on time which was one of the major reasons for losses for the Company, CMD, BSNL during the course of oral evidence submitted as under:

> *‘Sir, it was a combination of many issues, including the vendors going to the court and there was litigation. The procurement processes of BSNL are still very complex. Being a 100 per cent government owned company, we have a procurement manual, but our procurement processes are still very cumbersome in comparison to private players. Perhaps we are going to change them. Some kind of modifications are on the cards, but at the same time, we are not on the same footing with the private players. So, the past began in that manner. For whatever reason, the GSM equipment was not bought in time. Hence, the BSNL lost ground on the GSM front. Further, being a 100 percent government–owned Company, we are entirely dependent on the Government for major decisions’*

6.10 Regarding autonomy in taking decisions, on a query CMD, MTNL during the course of oral evidence responded as under:

> *'Sir, there were 3 major reasons for the Company to go into losses during 2009-10. In June 2010, there was auction of 3G-BWA Spectrum. In this MTNL had to pay ₹11,100 Crore. Before payment of this 11,100 Crore, MTNL was a profit making company and there was always a backlog balance of ₹ 5-6 Crore. Overnight this turned into a debt-ridden company from a profit making company and ‘Cash-rich’ company. We had to take a loan of ₹ 7,500 crore loan from the bank. When the auction took place, MTNL had not participated in the auction. The spectrum was given to MTNL at a reserved price saying that whatever price will be determined in the auction, MTNL will have to pay it.That was literally 20 times more than that of what the reserve price was. The dichotomy with the MTNL that being a PSU we have to make the payment overnight because this was the direction from the Government that since the spectrum has been given to you, you make the payment. So, we are the sufferer of the action of somebody else who participated in the auction and quoted higher. We have not participated in the bid but asked to make the payment. Further, Other than Delhi and Mumbai, the BSNL which operates, they were required to pay ₹ 8 per person per megahertz. Even the Airtel which has to operate across India, that is including Delhi and Mumbai, they paid ₹ 80 per person per megahertz and I paid ₹ 160 per person per megahertz. That means, for Delhi I paid ₹ 3,200 crore and again ₹ 3,300 crore for Mumbai. In total, I paid ₹ 6,500 crore for 3G spectrum on a population base of four crore only for Delhi and Mumbai together. That is the reason from which the decline of MTNL started.’*

6.11 On the issue of starting the services of 3G and 4G, CMD, MTNL during the course of oral evidence responded as under:

‘The market was 2G and 3G. Now the market has moved to a broadband on wireless, that is 4G and 4G VoLTE. I do not have the spectrum of 4G; I do not have the spectrum to launch the service of 4G VoLTE. If I want that spectrum, I have to pay ₹9000 crore literally to the Government to purchase that spectrum. That means, I do not have the money. That is the first point. Secondly, the market is consolidating. Consolidation is taking place. Anybody who is not a pan-India player, cannot survive in the telecom today because there is network effect in the market and there is a platform effect. Both led to a situation where a company which has a lesser market share or not a pan-India geographical play, that person in the long run cannot survive in the telecom sector. So, what I find as MTNL, we were market leader up to 2008. We were the first company who had launched the broadband service in India with ADSL2+ technology. We were the market leader in technology. We launched the service of 3G first time in India. Today, we are laggards and laggards not because of MTNL undoing by itself. It is the circumstances in which we are placed: the debt trap, the spectrum, high employee cost, demoralised work force. These are the people which we have got as a part of the corporatization process. Thirdly, the market has moved. I have been not allowed to operate beyond Delhi and Mumbai. I cannot compete with a pan-India player because he is offering all-India free roaming service. He is offering incoming call free. I cannot because I have to go on others network and then I have to pay the termination charges; I have to pay the carrier charges. So, somebody who is coming with a pan-India play and somebody who is coming with a two-city play, they can never compete.'

6.12 On the issue of giving autonomy to CPSUs to adopt marketing strategies that are used by private companies in the same sector, MTNL was of the view that :

'Marketing efforts cannot substitute a good quality product or service. The Telecom Service providers in market are thus in process of heavily investing in their network to keep their network upgraded suiting to the market and addressing the requirements of Quality of Service. This is being done either through promoters infusing fresh equity or through consolidations vides acquisitions/Mergers etc. The consolidation strategy is being resorted to in the telecom space with an objective to take advantage of existing investments and existing market segments. In the background of burden of legacy network, MTNL has neither been able to invest adequately in the network up gradation to combat competition nor has been merged with its counterpart for synergical advantages accruing from PAN India operations. The situation becomes more grim especially when the tariffs have reached to their rock bottom and consumer preferences are shifting from Voice to Data thereby demanding network hauling and fresh investments. The company is in the process of upgrading its network with resources available and it is expected that once the product quality/segment has improved or become atleast at par with the market, the market share should improve. It has been observed that the promoters of private companies are in the process of investing in the business especially for upgrading the networks.

The major private telecom Companies also invest in brand building exercises and large advertising budget limits the MTNL.'

VII. CONSOLIDATION/MERGER ISSUES

7.1 On a suggestion regarding merger of the two loss making telecom companies BSNL and MTNL, when asked how the merger would help telecom sector especially when the experience with the Merger of Air India and Indian Airlines was not successful, MTNL stated as follows:-

‘As regards post merger complications mentioned with respect to Air India and Indian Airlines, it is stated that MTNL and BSNL have been carved out from the same Department of Telecom and therefore the merger may not raise issues cropped up in airlines merger but it will have its own challenges like parity in the IDA pay scales of MTNL and BSNL as per cabinet decision, realignment of HR and accounting policies, high debt and employee costs etc.

7.2 When asked whether the merger of BSNL and MTNL would cause any problems in its operations and whether CII suggests for their merger, closure or sale, CII stated as follows:

'MTNL is primarily in the business of providing fixed line telephony, mobile telephony, broadband (wired and wireless), IPTV, Fibre-to-the-home in Delhi and Mumbai. It also operates in Mauritius. BSNL is primarily in the business of providing fixed line telephony, mobile telephony, broadband (wired and wireless), IPTV all over India except Delhi and Mumbai.

The service offering and geographies of both loss-making firms are complementary. The intent of the proposed merger is to optimise resources and increase revenue through synergised operations.

CII has not undertaken a study of the firms. Prima facie, since both firms were corporatized from the same parent entity – Department of Telecom – their salary structure and working culture are likely to be similar.

Compatibility on these counts is critical to avoid post-merger integration issues. Absence of compatibility of these factors appears to have created issues in case of the India Airlines and Air India merger.

Given the strategic importance of the communications sector, we recommend that the Government retain control over the merged entity. It may, however, consider divesting upto 49% of the stake. This will ensure that the Government retains control over the entity while the private partner brings in management expertise and access to latest technology. The Government may also consider setting pre-qualification criteria for the private partner, such as nationality of the partner, management expertise, access to technology, etc.'

7.3 When asked 'How many of the loss making CPSUs under the Ministry of Steel can be consolidated/merged to get them out of losses, the Ministry of Steel in a written note submitted as under :

> "NITI Aayog has made a recommendation for merger of Bisra Lime Stone Company (BSLC) a subsidiary company of Eastern Investments Limited which in turn is a subsidiary of RINL. An inter committee constituted by RINL to examine the feasibility of merger of BSLC with RINL has expressed its reservations on such a merger on account of legislative bottlenecks as well as lack of substantive benefits out of such a merger for RINL."

7.4 Regarding the merger of AI and Indian Airlines into NACIL, the C&AG in their Report no. 18 of 2011 had termed the merger as 'ill-timed, without proper justification and synergized operation, without HR integration, delayed and having serious uncertainties.'

7.5 On a specific query regarding consultation of NITI Aayog in 2007 on the issue of merger of the airline and its recommendation to the Government, the Aayog stated that the relevant files have been weeded out.

7.6 When asked, whether the debt of the Company can be ridden in the event of merger of BSNL and MTNL, CMD-MTNL during the course of oral evidence responded as under:

> 'Sir, as on date, MTNL liability is around ₹ 16,000 crore and for BSNL, it is around ₹ 4,500 crore to ₹ 5,000. So, it will be ₹ 21,000 crore. It would be still very least leveraged company because all of the private operators are also in the ₹ 20,000 crore plus debt scenario.
>
> Sir, I will again say if there is a talk of merger, the debt issue can be addressed by deleveraging the assets so that it is an efficient company which get merged not inefficient company.'

7.7 On the issue of merger of BSNL and MTNL, DPE submitted the following information :

'BSNL and MTNL have been incurring losses for a number of years. Therefore, as per Department of Public Enterprises (DPE) guidelines, both BSNL and MTNL have been declared as "Incipient Sick". On the issue of merger of BSNL and MTNL, it has been decided that keeping in view the various challenges involved in the merger, it is not advisable to pursue the merger of MTNL and BSNL at this juncture, till a resolution on MTNL employees, debt of MTNL and MTNL properties is reached'.

VIII. DISINVESTMENT/STRATEGIC SALE OF CPSUs

8.1 As per CII, the primary criterion for divestment of a CPSU is whether, under the current environment, the nature of business is of strategic national importance (such as defence, security, etc.) or in the case of a market failure/lack of market depth in the sector.

8.2 CPSUs that do not operate in sectors that fit the above criterion should be divested. Even in cases where a CPSU operates in a strategic sector or is involved in market making, the Government may consider divesting upto 49% in some of these CPSUs.

8.3 Divestment will provide the Government with immediate liquidity and reduce future losses (in cases of loss-making CPSUs).

8.4 The Government may consider using the proceeds from divestment to create a fund for training and skill-upgradation of personnel in CPSUs so as to make them future-ready and re-deployable. Such skill enhancement programmes will help minimise possible lay-offs in the future as new technologies are adopted (which may require a different skill-set).

8.5 If the fund is large enough, it can also serve as the seed capital to start new CPSUs that may be required in the future, thus creating new jobs.

8.6 The Committee during examination noted that many CPSUs although profit making were being disinvested of put on strategic sale by the Government. On the issue of whether profit making CPSUs should be disinvested or not, Secretary during the course of oral evidence submitted that now, this does not always lead to a conclusion that if a company is profit making, it will not be disinvested. There are profit making companies that are being disinvested and they are also loss making companies that are not being disinvested or being revived. So, there is not a classification along that line alone. It is a comprehensive view which is being evolved by the NITI Aayog in consultation with the Department.

8.7 In their written reply DIPAM submitted that 'NITI Aayog has been mandated to identify the CPSUs for strategic disinvestment. NITI Aayog in its report has stated that it has been guided by the basic economic principle that the Government should have no business to continue to engage itself in manufacturing/producing goods and services in sectors where the competitive markets have come of age, and economic potential of such entities may be better discovered in the hands of the Strategic investors due to various factors, e.g. infusion of capital, technology up-gradation and efficient management practices etc. NITI Aayog has classified CPSUs into “high priority” and “low priority” based on (a) National Security (b) Sovereign function at arm’s length, and (c) Market Imperfections and Public Purpose, for the purpose of strategic disinvestment. The CPSUs falling under “low priority” are covered for strategic disinvestment. NITI Aayog has recommended 36 CPSUs for Strategic Disinvestment so far.

8.8 Government has accorded ‘in-principle’ approval for Strategic Disinvestment of 24 CPSUs or their subsidiaries, units and JVs. Details are given at **Annexure-V**'.

8.9 When asked to explain the term 'offer for sale' of Government equity and 'strategic disinvestment' which has been used by CPSUs and Ministry/Department in their background note, DIPAM clarified as below :

'OFS enables promoters to dilute their holdings in listed companies in a transparent manner with a wider participation through exchange based bidding platform.

Strategic disinvestment implies the sale of substantial portion of the Government shareholding of a central public sector enterprise (CPSU) of upto 50%, or such higher percentage as the competent authority may determine, along with transfer of management control.

Inter-Ministerial consultation takes as place before taking the ‘in principle’ approval of CCEA for selection of a CPSU for OFS. Inter Ministerial Group (IMG) is constituted under the Chairmanship of Secretary, DIPAM to oversee the process of appointment of intermediaries, i.e. Merchant Bankers and Legal Advisors. Further, quantum and price of the shares, to be divested, is approved by Alternative Mechanism consisting of Minister of Finance, Minister of Shipping and the Minister of the Administrative Ministry based on the recommendation of a High Level Committee (HLC) consisting of the officers from the administrative department, DIPAM & D/o Financial Services. The CMD and Director (Finance) of the CPSUs concerned is special invitee in the HLC.

In case of Strategic Disinvestment, Inter Ministerial consultation takes place at every stage from selection of CPSUs to selection of intermediaries, finalisation of Expression of Interest (EoI), Share Purchase Agreement (SPA) and other transaction documents, selection of strategic partner and approval of final price through deliberations in the Evaluation Committee (EC), Inter Ministerial Group (IMG), Core Group of Secretaries on Disinvestment (CGD) and Alternative Mechanism (AM).'

8.10 When asked about the rationale behind disinvesting of CPSUs which are profit making, DIPAM submitted as below :

'Government has accorded ‘in-principle’ approval for Strategic Disinvestment of CPSUs or their units based on the recommendation of NITI Aayog. However, criteria for identification of CPSUs for Strategic Disinvestment is not based on profitability. NITI Aayog has been mandated to identify the CPSUs for strategic disinvestment. NITI Aayog has classified CPSUs into “high priority” and “low priority” based on (a) National Security (b) Sovereign function at arm’s length, and (c) Market Imperfections and Public Purpose, for the purpose of strategic disinvestment. The CPSUs falling under “low priority” are covered for strategic disinvestment.

NITI Aayog in its report has stated that it has been guided by the basic economic principle that the Government should have no business to continue to engage itself in manufacturing/producing goods and services in sectors where the competitive markets have come of age, and economic potential of such entities may be better discovered in the hands of the Strategic investors due to various factors, e.g. infusion of capital, technology up-gradation and efficient management practices etc.'

8.11 On the same issue, Department of Heavy Industries (DHI) clarified as under:

‘As far as the decision relating to disinvestment of various kinds – whether it is disinvestment of minority stake in the CPSU or strategic disinvestment where we transfer the controlling stake to a private entity – are concerned, all of that is in the general rubric of disinvestment. So, decisions regarding disinvestment in the Government are following a process. That process is a consultative process. Everyone is taken on board. The NITI Aayog is the one that initiates this exercise because it is a think tank of the Government. So, they bring in thinking on what should be the criteria to be applied for the initial scrutiny of the CPSUs for putting them under various categories. At that time, they consult with the Ministry also. So, DHI have interaction with them. We put forward our view point and then a recommendation is made by the

NITI Aayog. They can say various things. If they say that there has to be disinvestment, then the ball is passed on to the DIPAM, that is, Department of Investment and Public Asset Management and then they have a set process of how to carry to the end – either successfully transferring it or saying that the disinvestment has not been possible. Where it involves revival, it comes to DHI. Then we prepare proposals for these companies where it comes to saying that now these companies should be closed, then we go to the Cabinet for specific approvals to close those companies. So, this is the way the decision regarding applying the NITI Aayog criteria relating to individual CPSUs concerned is being done.'

8.12 When asked whether the Government CPSUs need to exit from the pharmaceutical sector where the private market is more dominant, and if so, what are the areas where the Government can actually help the CPSUs their position, CII submitted as follows:

'A gross generalization is difficult to arrive at instances of turnaround like that of Bengal Pharmaceuticals can be a case in point. In a developing country like ours, it is of strategic importance to provide for affordable medicines and pharmaceutical inputs. There have been a number of examples where the presence of PSEs has a tempering effect on the overall price positions in the country and options to the government to make necessary interventions. These prices, if determined commercially and not based on subsidy, would improve the value delivery in the healthcare sector.

The main assistance Government may provide to PSEs is to improve the governance framework, differentiate the roles of the public and the private sector and let them compete freely.

It is important to transform PSUs into board driven entities and hold the board accountable for their decisions. There needs to be a consistency of policies. PSEs are often seen as implementers of government policies and priorities, beyond their business objectives. The same set of rules and guidelines need to be applicable for all companies in the sector, irrespective of ownership, in order to arrive at a balanced view.

Another area where the government can help industry at large to benefit would be to increase the incentive for investment in R&D to make it atleast 1.5-2% of GDP. This would not only strengthen Indian products and processes, but also promote homegrown talent for leading edge technology. PSEs with existing facilities at their disposal need to play a leading role in this regard.'

8.13 When asked whether DPE has made any analysis regarding the closure/revival or disinvestment of loss making CPSUs, DPE stated as under :

'DPE has not made any analysis regarding the closure/revival or disinvestment of above mentioned loss making CPSUs.'

8.14 CPSUs function under the administrative control of various Ministries / Departments. The concerned administrative Ministry/ Department deals with various aspects of the functioning of CPSUs including their revival/closure/disinvestment. Hence, the concerned administrative Ministry/ Department can apprise the Committee on this matter.

8.15 However, as per information available with DPE, the details of 33 loss making CPSUs out the 79 CPSUs that made loss during 20015-16 that have been approved for closure/revival/disinvestment are given in **Annexure-VI.**

8.16 On the methodology/parameter adopted for disinvestment of CPSUs, NITI Aayog submitted as follows :-

"All CPSUs except under those in the strategic areas are eligible to be considered for strategic disinvestment The strategic areas are: CPSUs serving National security purposes; CPSUs serving a sovereign or quasi-sovereign function that would otherwise have been performed by the Government directly; and CPSBs that are performing developmental functions that the Government may consider important, where the private sectors are not present or failing to perform".

IX. PERFORMANCE MEASUREMENT PARAMETERS

9.1 One of the main issues examined by the Committee was regarding the parameters applied for measuring the performing the CPSUs and any co-relation between the investment made by the Government and the profit made by the CPSU. An instance was quoted a CPSU making profit of ₹. 1 Crore on an investment of ₹. 5000 Crore was still being considered a profit making CPSUs. When asked what should be the actual parameter for measuring or categorising CPSUs as loss making or profit making CPSU, CII submitted as under:

'CPSUs affected by adverse business cycles or impaired due to unfavourable short-term policy environment must be differentiated from those consistently exhibiting poor performance. Therefore, in order to identify loss-making CPSUs, we recommend analysing the loss/profit profile of a CPSU over a longer period of time, such as 3 – 5 years.

Another criterion that could be used as an indicator of poor financial performance is erosion of networth. CPSUs exhibiting 50% or more erosion in networth, over a 3-year horizon, should be considered under this category.

Return on Equity / Return on Capital Employed, although useful additional parameters, are difficult to assess in isolation. These vary by sector and take cognizance of legacy high-value investments.'

9.2 On a query regarding the parameters on which the efficiency analysis of CPSUs with their counterparts in the private sectors was made by the Inter-ministerial Committee set-up by NITI Aayog, the Aayog in their written note submitted as under:

'NITI Aayog conducted the analysis of relative productivity using an efficiency measure derived using the Data Envelopment Analysis (DEA) technique. 'Efficiency' in this case is a measure of output (sales) over input (capital and labour). DEA computes the relative efficiency of each firm in terms of its ability to convert inputs into outputs. The relatively most efficient firms are on the 'efficient frontier'. Efficiency here is relative to other firms and not against some absolute benchmark.'

9.3 On the same issue Secretary, Department of Heavy Industries(DHI) during the course of oral evidence stated as follows :-

'A very important point about the fungibility of resources that this large amount of money that we have put in the PSUs a justified return must come back to the society. If not, then there are alternative uses for that money. This is a very valid point. When decisions regarding revival of PSUs are being taken, this point is increasingly coming at us and we need to justify that are we putting good money after bad. That question comes. What has gone is already sunk. But, we need to be sure that the money that we are putting now makes the unit sustainable. Not only makes it profitable, but may give a justifiable return.'

9.4 When asked whether performance of CPSUs be also measured on cost-plus basis, CII responded as under:

'The criteria for success and benchmarks for acceptable financial performance for each CPSU depends on the nature of its business and its social obligations.

CII suggests that, to the extent possible, within the social obligations of the CPSU and taking heed of market dynamics, pricing of its products / services should take cognizance of the cost of producing and delivering the products / services. This will help minimize losses.'

9.5 As per the analysis of the information placed before the Committee on Public Undertakings, the losses in some CPSUs viz. MTNL, BSNL and Air India Ltd. etc. had been not solely due to the Board decisions but also due to many other reasons. In this context, when asked whether the aspects like (i) the decisions taken by the Government from time to time, (ii) mismanagement of resources and irreularities , (iii) Other factors not within the control of the Board, (iv) loss due to cyber attack, etc. were taken into account while undertaking the study of loss making CPSUs by NITI Aayog, the Aayog replied in negative.

X. DIVERSIFICATION OF ACTIVITIES

10.1 During examination it emerged that many loss making CPSUs diversified their activities in order to earn profits. Gradually, these CPSUs went into losses as the CPSUs did not have the expertise in the new area. When asked whether a policy is required in this aspect. CII responded as below:-

'A hallmark of any committed and ambitious management team is to continuously evaluate growth opportunities. We suggest a broad diversification policy be put in place so that there is clarity on the evaluation criteria and procedure.'

10.2 CPSUs should be automatically permitted to diversify into activities which fall within the overall vision set by the Government, provided the Board has approved the business plan.

10.3 Requests for diversification beyond the vision should be evaluated on a case-by-case basis by the Government. The management must first satisfy the Board on the rationale and the potential outcomes of such a diversification. Thereafter, the management together with the Board, may approach the Government for a modification in the vision of the CPSU and thus permission to diversify. While evaluating the proposed diversification, the Government should use the lens of national strategic importance, market failure or insufficient depth of market. It may also consider permitting CPSUs to expand into an adjacent sector (which may be well-served by the private sector) only provided the diversification will lead to significant synergies and enhance overall performance of the CPSUs.'

10.4 When asked whether any CPSU under the Ministry of Steel had earned profit subsequent to diversification of its activities, the Ministry in a written note submitted as under :-

'MECON suffered loss in FY 2015-16 and 2016-17. However, due to diversification in Infrastructure and Energy sector, beyond its core competence area of Metals, has helped MECON in making profits in FY 2017-18.

MECON formulated a roadmap to exhibit sustained & profitable growth to de-risk its business from any downturn in steel industry in future through its revised strategy of diversification into priority sectors of the Govt. These diversification efforts have been possible only due to decades of experience and wisdom garnered while executing projects in our core area of competence of Iron and Steel.

Diversification has been in the priority areas of Government, i.e. Oil and Gas (like Urja Ganga project, CGD projects in 40 cities, POL Terminals, etc.), Power (like 24x7 Power for All, DDUGJY, etc.) and Infrastructure(like in Defence Infrastructure- Project Seabird Ph. I & II, CODs & RODs, Desalination Plant, Note Press & Mints)'.

XI. MANPOWER ISSUES

11.1 As per the Public Enterprises Survey, as on 31 March 2017, the 331 CPSUs employed over 11.31 lakh people (excluding contract and casual workers). Around 3.70 Lakh of the manpower of CPSUS belongs to managerial and supervisory cadres. The CPSUS, thus, have a highly skilled workforce, which is one of their basic strengths. Total number of employees in CPSUs is declining every year since 2006-07 except during 2011-12, on other hand per capita emoluments has been increasing. The per capita emolument was ₹ 3,25,869/- per annum in 2006-07 and has increased to ₹12,41,417/- per annum in year 2016-17.

11.2 The total employee strength in CPSUs stood at 11.31 lakh (excluding contractual & casual/daily rated workers) in 2016-17 as compared to 11.85 lakh in 2015-16. The total strength of employees in CPSUs has gone down by 0.54 Lakh persons due to superannuation, voluntary retirement etc. The salary and wages in all the CPSUs, at the same time went up during the year from ₹ 1,27,182 crore in 2015-16 to ₹ 1,40,384 crore in 2016-17 showing a growth of 10.38%. However, per employee gross revenue from operations of CPSUs has increased from ₹1.55 crore in 2015-16 to ₹1.73 crore in 2016-17.

11.3 Scheme of Counseling, Retraining and Redeployment (CRR) - The Scheme for Counseling, Retraining and Redeployment (CRR) of Rationalized Employees of CPSEs is being implemented by Department of Public Enterprises since 2001-02. CRR Scheme was modified in November, 2007 in order to widen its scope and coverage. One dependent of VRS optee is also eligible in case the VRS optee himself/herself is not interested. The Scheme has been subsequently modified in February, 2016 in order to broaden the network of Training Providers and also to follow standardized methodology of training, design and delivery. also and their percentage of employment is about 10.20% as on 31.03.2017. The numbers of women employee in operating CPSEs in different groups / level such as managerial/executive level, supervisory level and workmen/clerical level during the last three years is shown in the Table (5.4) below.

The scheme for Counseling, Retraining and Redeployment (CRR) inter-alia aims to:

- reorient rationalized employees through short duration training programmes.
- equip them for new vocations.
- engage them in income generating self-employment.
- help them rejoin the productive process.

The main elements of the CRR programme are Counseling, Retraining and Redeployment.

11.4 When asked whether jobs for the marginalised sections of the society would diminish after disinvestment, sale etc., while providing employment is one of the social obligations of the CPSUs, CII submitted as under:

'CII appreciates the social obligations of the CPSUs, including providing employment to marginalised sections of society. In order to continue serving this need while ensuring a best-in-class workforce, we suggest:

- <u>Merit-based preference for marginalised sections</u>

  In cases where two candidates are of equal merit, preference will be given to the one from the marginalised section of society. This would extend to all positions, even beyond the formally required percentage. Job promotion, however, should be strictly on merit basis.

- <u>Creating a skill base</u>

  CPSUs could partner with organizations such as the National Skills Development Corporation to develop a specialised programme, aimed at the marginalised sections of society, for creating a skill base appropriate to CPSU requirements.

- <u>Additional pre-recruitment training</u>

  In order to create a level-playing field between job candidates from marginalised sections of society and those who are not from disadvantaged backgrounds, CPSUs could partner with organizations such as the National Skills Development Corporation for pre-interview training.

11.5 Protecting and uplifting marginalised sections of society is an admirable element of our democratic framework – and an objective CPSUs have contributed to. We recommend special additional training be given to personnel from disadvantaged backgrounds (either within the CPSU or in partnership with an external organization) to help them fulfill their roles more effectively and provide them with the foundation to rise within the firm hierarchy. The training will aim at raising the standards and breadth of skills. Allied programmes such as soft-skills training may also be considered.'

11.6 On the issue of VRS to its employees, CMD-BSNL during the course of oral evidence submitted as under:

> *‘There was a question regarding VRS. The VRS proposal at the moment is with the DoT. It has not yet been communicated to us. One lakh employees were supposed to have been given VRS, but the matters is still under consideration of the Government.The need for VRS was established when the company was going in for losses for consecutive years and there was a presentation made to the BRPSE. At that point of time, the question of VRS had come into being. The DoT also has not taken a decision in this regard. One lakh people were supposed to have been given VRS, as per the Sam Pitroda Committee also. This is the genesis of the whole issue.’*

11.7 On the issues related to manpower, CMD-MTNL during the course of oral evidence submitted as under:

> *‘When we were corporatized, we were transferred 60,000 employees in MTNL at the time of corporatization. The manpower which we received, they are the people who have been recruited with the mindset of working in the Governmental setup. On the other hand, on account of the 2nd PRC implementation, which is in 2009-10, I have to make a payment of almost ₹ 790 crore as arrear for the 2nd PRC recommendation and the wage revision, at the same time, to meet out the accounting standards, ₹ 1700 crore rupees. It is because, the pension liability of MTNL was up to 2013-14. It is only on 2013-14 that the Government has taken over the pension liability; otherwise MTNL was making the pension payment for all its employees from 2000 onward till March 2013. The total pension liability which was accumulated was to the tune of ₹ 10,900 crore which MTNL has to provide in its books of accounts. We have already submitted a proposal for VRS to the Government in which they have agreed for 20 per cent VRS employees who are retiring in next 10 years, for 5300 employees at a cost of ₹ 1000 crore. The proposal has already been approved by the Telecom Commission which is a multi-departmental body. It is under inter-Ministerial consultation. We look forward; this is only the first phase of VRS. It is because, even with the 5300 employees, it is not a great number by which we can get it. But, one positive part is this. My 25,000 employees are retiring in next 10 years. Every year, 3000 plus employees are retiring.’*

11.8 On a specific query whether NITI Aayog has made any estimate on thel full implications on VRS and any budgetary provision proposed in the event of closure of the 26 CPSUs recommended for closure by NITI Aayog, the Aayog clarified as under:

> 'No estimate has been made by NITI Aayog. Administrative ministries draw up the VRS plan. No provision is made. It is possible from the sale of assets of closing CPSUs to offset VRS.'

XII. LAND MANAGEMENT AGENCY

12.1 Many CPSUs were of the view that some of the loss making CPSUs may become profitable only by restructuring or hiving off some unviable units or by monetizing assets through outright or strategic sale. The Committee noted that CPSUs do not have the powers to monetize their assets. The Government has designated NBCC as the Land management Agency (LMA) and entrusted NBCC to monetize the assets of loss making CPSUS. It is also learnt that it is not necessary that the Government would necessarily spend the money on the CPSU obtained through monetization of assets of a particular CPSU and rather create a national fund.

12.2 On the issue of the progress made by NBCC on monetisation of assets of CPSUs, NBCC stated that NBCC sent an Expression of Interest (EOI) to 74 CPSUs requesting them to appoint NBCC as their Land Management Agency (LMA). Thus far, 10 CPSUs have appointed NBCC as their LMA and 28 CPSUS have declined.

12.3 On the issue of progress made by NBCC on monetisation of assets in case of loss making CPSUs examined by the Committee viz. BSNL, Air India, FACT, Hindustan Antibiotics Limited (HAL), MTNL, BPRL, Instrumentation Ltd, Hindustan Petro Resources Limited (HPRL), Hindustan Steel Works Construction Limited (HSCL), HMT, SPMCIL and SAIL, NBCC submitted the following information:

1. Redevelopment of MTNL land assets at Delhi/Mumbai

- MTNL shared a list of properties with NBCC, where redevelopment could be taken up.
- NBCC and MTNL have discussed issues such as land use permission, leasehold status of land, etc. with the DDA.
- Most of the properties at Mumbai are freehold; however, they were allotted for specific use. Hence, change of land use is required for monetization.
- MOU is yet to be signed with MTNL for the proposed monetization of their assets.
- NBCC has presented to the CMD and other senior officials of MTNL and clarifications on the proposed draft MoU have been provided to MTNL.

- Draft MoU is still under consideration with MTNL.
- Further action will be initiated after signing of MoU for joint development/monetization.

2. <u>Redevelopment of Air India (AI) properties at various locations in India</u>

- NBCC and AI entered into a MoU to develop/re-develop AI properties on self-sustainable financial model in 2009.
- AI shared the list of identified properties for redevelopment.
- As per last communication, it was decided to take up the AI property at Baba Kharab Singh Marg and the property at VasantVihar, New Delhi in first tranche.
- Accordingly, NBCC submitted a preliminary project report for re-development of the above properties to AI and the reports are under consideration at AI.
- In the meantime, AI has returned the possession of both the properties to MoUD as per the decision of Government of India.
- Thereafter, the matter is being pursued with the L&DO, MoHUA, GoI.
- NBCC has submitted preliminary reports on to monetizing both the properties to MoHUA. These reports are under consideration with L&DO, MoHUA.
- Both properties are charged i.e. AI had raised loans from financial institutions against securitization of both the properties, which is under examination in MoHUA through Law Ministry.

3. <u>HMT Watches Ltd., HMT Bearing Ltd., Instrumentation Ltd.</u>

- These CPSUs under DHI appointed NBCC as LMA on 02.02.2017 & 03.02.2017.
- RFQ (Request for Quotation) for competitive bidding among the Government organizations was invited on 17.05.2017 for purchase of immovable assets of above CPSUs with last date of submission as 30.05.2017.
- NBCC received 1 bid from Government organizations for the immovable assets, of the three CPSUs, uploaded on website.
- Recommendation was submitted to DHI on 05.08.2017 for obtaining approval of the Cabinet for disposal of the properties and to go for auction for the balance properties.

Bid details against 1st RFQ			
Sr. No.	**Name of CPSU**	**Details of Assets**	**Bidder organization**
1	HMT Bearing Limited	29.33 acre land at Hyderabad	ISRO

Bid details against 1st RFQ

Sr. No.	Name of CPSU	Details of Assets	Bidder organization
2	**Instrumentation Ltd.**	Office space at Scope Complex, Delhi	Only request letter received; bid not submitted

- On the instructions of DHI, during a meeting on 07.11.2017, RFQ was again uploaded on NBCC web site on 21.11.2017 for remaining properties 07.02.2018; in this tender, only 2 bidders have been participated.

- Recommendation report on CPSU properties sent to DHI on 17.02.2018 & 26.02.2018.

Bid received against RFQ-2

Name of CPSU	Details of Assets	Bidder organization
HMT Watches Ltd.	45.62 acre land at Ranibagh	Offer received from Intelligence Bureau for 5.62 acre land
Instrumentation Ltd.	Office space at SCOPE Complex, Delhi	Intelligence Bureau 1.04 acre land at Opposite RIICO
Metal Scrap Trading Corporation (MSTC)	office Malviya Nagar Jaipur	

Details of balance land/immovable assets after RFQ2

Name of CPSU	Details of Assets
HMT Watches Ltd.	40.00 acres land at Ranibagh. 1 flat at Bandra, Mumbai.
Instrumentation Ltd.	1 Flat at Alkapuri, Vadodara. 3 Flats at Santa Cruz Mumbai 2 Flats at Juhu 3 Flats at Bandra, Mumbai. 04 Commercial flats at Andheri, Mumbai. 1.37 acre land at Malviya Nagar, Jaipur, Rajasthan.

12.4 However, on the issue of monetisation of assets of Air India, C&AG in their Report No. 40 of 2016 had stated that Air India ltd. failed to achieve the target of monetisation of their assets due to improper selection of properties not based on actual feasibility of monetisation and in their recommendation hinted on the absence of proper title deeds as well as limiting provisions/ conditions in the lease agreements of assets of the CPSU thereby impacting their monetisation.

12.5 When asked about the progress made by NBCC and EPIL regarding the disposal of land/ monetisation of properties of pharma CPSUs, the Department of pharmaceuticals in a written note submitted as under:

'DPE's guidelines stipulates M/s NBCC and EPI as Land Management Agencies (LMA) and M/s MSTC Limited as the Auctioning Agency (AA) for disposal of land of CPSUs. In order to get the maximum response to tenders to sale of surplus land of pharma CPSUs under closure/ strategic sale, advertisements were issued in leading newspapers in English/ vernacular medium on 16.05.2017. Department also wrote to all the Central Government Departments/ State Governments/ 24 leading PSUs and 7 Insurance companies on 18.05.2017, 2.6.2017 and 3.10.2017 requesting them to bid for land.

The tender for e auction of 87.70 acres of identified surplus land of HAL was up-loaded on web portal of M/s MSTC on 16.05.2017 and bids invited from the Government agencies. Despite extension of the last date, no bid for the land was received. The tender for e-auction of 25.01 acres of surplus land of BCPL was up-loaded on the portal of M/s MSTC on 18.05.2017 and bids invited from the Government agencies. Despite extension of the last date, no bid for the land was received. M/s NBCC floated the Request for Quotation (RFQ) for land of IDPL Hyderabad on 19.09.2017, but no bids were received despite extension of the last date. M/s MSTC issued e-tender for sale of 9.35 acres of land of RDPL, Jaipur on 04.09.2017, with last date of submission of bids as 12.10.2017. However, no bids were received in response to the e-tender despite extension of the time limit.'

12.6 When asked whether in the view CII is it justified for the Government to monetize assets of a particular loss making CPSU and not spend on its revival, CII stated as follows:

'Depending on the stage the PSE is in, decision on how to deal with its assets, can be arrived at. A chronically loss-making CPSU will not gain much from revenues of such assets being used for revival if its products are technologically obsolete or if the losses have mounted to high levels. In such cases, it is better to utilize the assets in a more productive manner which will deliver overall better gains to the Government.

Another point that requires highlighting is that while physical assets are easier to monetize, it is the intangibles, which are usually not valued optimally at the time of winding up. This is to be deliberated appropriately at the winding up stage.

Today there are specialized agencies which can help organizations to optimize their recoveries from both tangible and intangible assets in case the venture has to be closed.'

XIII. DELAY IN DECISION MAKING

13.1 CII suggested that Companies which can come up with a turnaround strategy on their own, without much of an outside support need to be examined for coming up with a revival/recovery plan. When asked at what level should this turnaround strategy coming from the loss making CPSUs be examined, CII submitted as under:

'Loss making PSEs can be categorised in the following fashion:

1. Companies who can come up with a turnaround strategy on their own, without much of an outside support.

2. Some PSEs may become profitable only by restructuring or hiving off some unviable units or by monetizing assets through outright or strategic sale.

3. Companies that need to collaborate with other public/private sector companies. These companies are tasked to explore such opportunities and prepare a turnaround roadmap.

4. Updation of technology for turnaround of sick companiesalongwith captive/preferential purchase of the products/services of such companies by the Government Departments/ CPSUs, till the effect the turnaround.

5. Only organisations who do not qualify for any of the above criteria and have been chronically loss making or under a debt trap or whose entire business proposition has undergone complete change with the changing economic environment, may be taken up for winding up.

Based on the above, it is suggested that for categories 1-3, examination can be taken up at the level of the Board or the administrative ministry with DPE. For the other two, a group of experts with required expertise needs to be created, to evaluate the future course of action. CII has undertaken a two-year project with Central Electronics Limited for upgradation of processes and enhancing competitiveness. Through focused strategies and actions, the PSU was able to build up its manufacturing turnover for solar photovoltaic cells. Such dedicated shop-floor level strategies of enterprise learning and lean manufacturing could be considered for CPSU identified for turnaround.'

13.2 The Committee however noted that revival/recovery plan submitted by loss making CPSUs remain pending in the Ministries/Departments for a very long time.

When asked, In such a scenario, what option do these CPSUs have to expedite the decision process, CII submitted as under:

'PSEs would have a limited role in such a case of delay. Better coordination within the government would be the key to eliminate such occurrences. Having a proper review by an empowered committee, with a focus to do away with such pendency would be helpful. There should be a well-defined timeline and process so that recovery plans are not delayed which leads to further losses.'

13.3 When asked what would be the ideal time-frame for taking such decisions by the Ministries/Department in the interest of the CPSU and in national interest, CII stated that:

'Revival plans should be acted upon within the shortest possible time frame depending on the magnitude, as timing of such revivals are crucial in achieving success. Business cycles change fast and hence decisions need to taken up at the appropriate time to ride the upward phase of a cycle, to attain maximum benefit.

An ideal timeline would depend on the size of the CPSU and should not take longer than one year.'

13.4 Ministry of Steel suggested the following measures regarding avoiding of delays in decision making :-

'Delays can be avoided by formation of a dedicated task force at CPSU level and constant reviews by the CPSU at various levels including their Boards. Realistic time span should be framed considering various activities involved in accomplishing the targets'.

XIV. CASE STUDIES

14.1 NBCC had made a turnaround after making losses continuously for many years till 2001. When asked whether any case study was made on NBCC, CII submitted the following information:

'CII has not prepared an independent case study on NBCC as a loss-making CPSU. The write-up below is based on information provided by NBCC.

Context

NBCC (India) Ltd. (formerly, National Buildings Construction Corporation Limited) under the Ministry of Housing and Urban Affairs, Government of India, witnessed an all-time low during 2001. It was struggling to pay salaries, while exhibiting poor performance in all fronts – execution of work, financial management,general management and administration, etc. – coupled with a heavy interest burden and ineffective strategies. The overall reputation of NBCC as a construction agency sank.

Today, NBCC is a completely different story. Its performance across key parameters - work orders, turnover, profit, net worth – is laudable. Substantial profits, every year from 2001 onwards, has enabled NBCC to wipe out all accumulated losses. The CPSU declared its maiden dividend to the Government in 2006-07.The Government of India accorded 'Navratna' status to NBCC with effect from 23rd June, 2014.

Turnaround strategy

NBCC's turnaround was a result of a multi-pronged approach:

a. Focus on Government-funded projects

    i. NBCC focussed on securing Government-funded projects in Northern Eastern Region and Gujarat. The emphasis was on quality and timely execution. Cost control was maintained through strict manpower management and utilization measures.

    ii. Consequently, more work orders started flowing in from various ministries, government departments, PSUs etc.

b. Selective tender works: NBCC focused on large-value contracts with assured profits and executed these projects with strict control on the overheads and profitability.

c. Customer Focus

d. Value-addition through improved financial management, such as
    iii. Centralized Cash Management
    iv. ‘e-Transfer’ for payment to contractors

    v. Finance MIS System for examining and critically analysing the reports received from various zones, and then communicating the decision to the respective Regional Business Group offices / zones for compliance and action.

e. Change with a Human Face
    vi. Counselling employees on re-locations and implementing an open and transparent policy of“first-in, first-out”

    vii. Offering abundant welfare measures for the employees, including providing ‘Bachelors’ accommodation, mess facilities, Special LTC package, North-Eastern region allowance, etc.

NBCC is today seen as an extended arm of the Central and various State Governments and has built strong brand equity on the foundations of quality, ethics, values and integrity.

Merger & acquisition activities

The Union Cabinet approved the takeover of Hindustan Steelworks Construction Limited (HSCL), by NBCC, as its subsidiary, by acquiring 51% of its share capital. Both CPSUs are engaged in similar lines of business and NBCC will benefit from the accruing synergy by utilizing HSCL’s versatile infrastructure portfolio and its expertise in the implementation of integrated steel plants.

The Cabinet Committee on Economic Affairs in its meeting dated 27.10.2016 accorded ‘in principle’ approval for strategic disinvestment of certain CPSUs. In response to this, NBCC had expressed its interest to takeover a few CPSUs, namely:

i. National Projects Construction Corporation Limited
ii. Hindustan Prefab Ltd.,
iii. Hospital Services Consultancy corporation (India) Limited; and
iv. Engineering Projects (India) Limited

subject to preliminary due diligence.

The matter was taken up by the Ministry of Housing and Urban Affairs with concerned administrative ministries to assist NBCC in the preliminary due diligence. PNB Investment Services Ltd was appointed to provide advisory services for takeover/merger of these CPSUs by NBCC. NBCC has qualified in the technical bid; report on the financial bid is awaited.'

14.2 When asked whether the turnaround of NBCC can be replicated in other CPSUs like Air India and other Government companies. CII stated as under:

'The broad approach adopted by NBCC can also be used by other CPSUs, while developing a turnaround plan. This includes:

- Identifying and focusing on a few profitable projects / work
- Strict quality and cost control
- Customer focus
- Adopting efficient financial management strategies
- Focusing and resolving personnel-related issues
- Instituting a transparent and fair system

However, the specifics interventions required for each CPSU will have to be developed on a case-by-case basis.'

14.3 When asked whether NITI Aayog has carried out any case study in respect of CPSUs constantly making losses but later made a turn-around, NITI Aayog stated that they have not conducted any case study.

PART-II

OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE

1. OVERALL LOSS SCENARIO

The Committee note that in the last seven decades, CPSUs have contributed significantly towards making India self-reliant in their respective fields. In addition to physical assets, they have developed significant competencies with regard to human resources, intellectual property, research etc. and have always served the national priorities. They further note that as per the Department of Public Enterprises (DPE) Survey 2016-17, the total financial investment in all CPSUs stood at ₹12,50,373 crore as on 31.3.2017, compared to ₹11,61,019 crore as on 31.3.2016, recording a growth of 7.70%. So far as the total investment in 77 loss making CPSUs is concerned, the data furnished by DPE as on 2014-15 was to the tune of ₹ 1,36,673.05 Crore and accumulated losses in these 77 loss making CPSUs was ₹ 1,18,556.89 Crore. As regards performance, the DPE Survey showed that the total income of all CPSUs during 2016-17 was ₹18,21,809 crore compared to ₹17,64,232 crore in 2015-16, showing a growth of just 3.26%. The profit of profit-making 174 CPSUs showed a growth of 5.28% in 2016-17. The loss of 82 loss-making CPSUs, although showed a decrease in loss by 18.58% in 2016-17, yet it stood at ₹25,045 crore and the number of loss-making CPSUs also increased from 79 in 2015-16 to 82 in 2016-17.

From the analysis of the profit and loss figures of CPSUs given in the DPE Survey (2016-17), the Committee observe that while CPSUs in few sectors like Mining, Power, Steel and Petroleum & Natural Gas continue to hold a dominant market position, most of the CPSUs in other sectors have been continuously making losses over the years. The overall scenario of the performance of Central Public Sector Undertakings is rather insipid now. From the Sector-wise key ratios of CPSUs, as per the DPE Survey (2016-2017), the Committee observe an alarming trend in the CPSUs operating in two key sectors namely Agriculture and Services. CPSUs in Agriculture Sector showed all ratios like Return on Net Worth, Return on Equity, Return on Assets, Net Profit margin and PBIT margin mostly in the negative i.e. - 11.82%, -11.82%, -2.08%, -3.08% and a meagre 5.61% respectively. The CPSUs in Services sector also did not show an impressive performance with the figures at 5.27%, 5.26%, 1.20%, 3.99% and 12.31% on these parameters during 2016-17. The Return on Net Worth of CPSUs during 2016-17 was only 13.53% in manufacturing sector and only 15.53% in mining and exploration sector, despite the DPE terming these CPSUs as 'better performing' companies. The overall loss of the CPSUs during 2016-17 was staggeringly high i.e. ₹25,045 crore. In the view of the Committee, these figures are tell-tale signs of the incipient sickness most of the CPSU are suffering from, in the present times and the pathetic comparison against private and commercially-run companies in all the above sectors. The Committee are particularly concerned that the Return on Assets by all CPSUs ranged between-2.08% to a maximum of 7.99%, which indicates the urgent need on the part of the management of the CPSUs for optimum utilization of their

assets to generate better earnings. This is particularly significant in the backdrop of the fact that the CPSUs own valuable landed properties at prime locations and also they enjoy the privilege of having support of the Government.

2. NEED FOR SHIFT IN PERSPECTIVE

The Committee acknowledge the fact that PSUs were set up to serve certain broad macro-economic and social objectives, and hence should not be compared with the commercially-run companies. Further, it, undoubtedly, was upon the CPSUs to reach out to far-flung corners of the Country to generate employment and create necessary infrastructure to pave way for others to venture out there. The Committee feel that CPSUs have successfully fulfilled these objectives. At the time of independence, there was a genuine need for the Government to set up PSUs to run industries as a sizeable part of the economy was agriculture-based. Liberalization of economy has come a long way and the Committee's examination has revealed that the margins of most of the PSUs, which already are under pressure to be more efficient, pale in comparison to their private counterparts, who have become far more capable of running globally competitive businesses. Even the DPE acknowledged the fact in their Survey (2016-17) that many CPSUs which did not evolve with liberalization and opening up of economy lost ground very quickly to private companies. PSUs in the telecom sector are facing a hyper competitive market with 6-7 major private operators. Pharma PSUs like Hindustan Antibiotics Limited, IDPL, etc. are also facing a very

stiff competition from foreign companies, particularly, the Chinese ones. In certain other sectors like light and heavy engineering products, the PSUs like SAIL are in dire need of constant technology upgradation to keep pace with the market demands and compete with the multi-national companies.

The Committee feel that all the PSUs, which the Government plans to retain, need to perform better and maintain decent key ratios, in order to sustain faith of the consumer market on their capabilities and therefore the Government has to ensure that the principles of corporate governance must be applied and adhered to by their Boards. The Committee recommend that the Government should examine these aspects in all seriousness, refrain from undue delays in decision-making and realistically assess the need to retain PSUs in select sectors. The Committee would also desire the Government to examine certain global models followed by Countries like China, Sweden, Malaysia, Vietnam or Thailand to manage their PSUs and turning those around based on certain successful models suitable for their respective countries, be it a holding company model/creation of a watchdog model/privatization model or bureaucratic insulation and transparency model. The Committee find that in April, 2018, the DPE had organized wide ranging deliberations at the level of CPSUs and their administrative Ministries finally culminating in a CPSU Conclave headed by the Prime Minister, which deliberated on financial re-engineering and innovation in CPSUs, among other issues. The Committee desire the Government to furnish a detailed note to them in the matter as well as progress on the action plan proposed to be

prepared by DPE for laying down the road map to achieve identified targets by CPSUs.

On the issue of CPSUs serving the social objectives and their area of operations include far-flung areas, one of the expert organization who deposed before the Committee was of the view that in the exceptional instances of a CPSU having to serve a broader public need as Government instrument, the amount so involved may be reimbursed by the Government to the CPSUs. The Committee tend to agree with the views of the expert organization in this regard and would like the Government to consider this aspect.

3. PREVIOUS REPORT OF COPU ON THE SUBJECT: RESPONSE OF DPE

The issue of making timely investment to counter sickness among PSUs has constantly engaged the attention of Parliamentary Committee on Public Undertakings. The Committee recall that way back in the year 1997, in their 11th Report on "Sickness in CPSUs" and later in its Action Taken Report, COPU had recommended to pay special attention to PSUs adversely affected by economic reforms and make all possible efforts to improve their financial health. On the issue of rehabilitation of PSUs, the Committee in their Action Taken Report had observed in this regard that there should be no hesitation on the part of the Government to make the required investments. The CoPU in the Action Taken Report had desired to be apprised of the action taken by the Government in the matter. Now after a lapse of around 20 years, when the status in this regard was sought from DPE, the Department, in the replies received on 12th January 2018, has tried to shift the responsibility to the concerned administrative

Ministry/Department of the respective CPSU. It has been stated that the concerned Ministry / Department take redressal measures on a case to case basis with the approval of the competent authority in consultation with Ministry of Finance and NITI Aayog. Not only that instead of following the matter and apprising the Committee of the status, the nodal Department requested to NITI Aayog and Department of Expenditure to furnish their views directly to the Committee.

The Committee express their utter unhappiness over the fact that the DPE not only was unable to furnish a final reply to the recommendation of the COPU made 20 years back but also tried to escape their responsibilities by stating that the Ministry of Finance and NITI Aayog were asked to 'directly' send their views to the Committee. The Committee are unable to comprehend as to the reasons for this lack of interest displayed by DPE on such a vital matter, when DPE being the nodal Department, is mandated for coordinating the matters of general policy and also for monitoring the performance of all CPSEs. The Committee view such lackadaisical approach of DPE very seriously and desire the Government to send an explanatory note to them on these matters within a period of 3 months.

4. ROLE OF NITI AAYOG

The Committee observe that in the wake of a growing number of loss-making PSUs, the Government in their Budget announcement (2016-17) entrusted the task to NITI Aayog for identifying such PSUs and giving recommendations for their strategic sale, disinvestment or

closure. They also note that despite DPE being the nodal Department for PSUs as well as the administrative Ministries of each PSU being entrusted with the task of identifying their sick PSUs respectively and preparing restructuring plans for them, no significant progress could be witnessed in the performance of these PSUs. Hence, now the NITI Aayog has been examining the sickness of PSUs and solely recommending on their closure / disinvestment / sale etc. The Committee hope that while NITI Aayog is given the mandate to recommend on loss-making PSUs, they would also be formulating a much-needed policy to regulate and monitor the financial health of the country's PSUs that emphasizes on a top-rated management, employees' welfare and control over extra overhead expenditure in the companies and would like to be apprised in this regard.

5. ROLE OF THE GOVERNMENT WITH REGARD TO FUNCTIONING OF CPSUs

It has come out during the course of deliberations that keeping in view the changing scenario whereby private sector is operating in every area barring some strategic fields and PSUs are not able to sustain the tough competition by the private sector, the whole concept of need of CPSUs in the changing scenario is being reviewed by the Government. As stated by NITI Aayog, all CPSUs except under those in the strategic areas are eligible to be considered for strategic disinvestment. The experts have also suggested, before the Committee, about setting up of new CPSUs to be considered by the Government only in (i) areas of strategic significance, (ii) market

failure including rare instances when there could be threat of private sector monopoly; or (iii) to carry out functions taken on by the Government but acquiring the freedom, managerial capabilities and responsiveness of a corporate entity (for instance skill development or job creation). After due analysis of the prominent loss-making PSUs, the Committee tend to agree with the views of NITI Aayog and experts on the issue of retaining CPSUs not working so well and on the question of setting new CPSUs in the changing market scenario and would like the Government to undertake a thorough evaluation of CPSUs by the Government periodically, say every three years and keep the Committee apprised.

The Committee observe that the NITI Aayog in their submission mentioned that Government should not engage itself in manufacturing /producing goods and services where the competitive markets have already come-up. The Committee tend to agree with the suggestion of NITI Aayog and feel that the Government should act as a 'regulator' or a 'facilitator'. The Committee further observe that given the current dynamic environment, whether in terms of market, customer or technology, the ability to make rapid decisions is critical hence the Committee opine that Boards of the CPSUs must be empowered comprising experts to enhance quality of decisions, overall management supervision and governance so as to ensure speedy decision making. An intense competition is a hallmark of any vibrant sector. Often in such cases, the customer / citizen is the beneficiary. The Committee agree with the view expressed by the CII that as long as no player has received an advantage by undue means, and new or small players are not hindered due to regulatory reasons,

the Government should permit market forces to shape the sector. Should intense competition result in consolidation of players, regulations such as the Competition Act, should prevent anti-competitive or monopolistic practices.

6. STRATEGIC DISINVESTMENT OF CPSUs

The Committee note from the information furnished by DPE that out of 79 loss making CPSUs (as on 2015-16), NITI Aayog recommended strategic disinvestment for 36 CPSUs. Out of which, the Government has given 'in-principle' approval for strategic disinvestment of 24 CPSUs or their units. The Committee are surprised to note that out of these 24 CPSUs, only 8 CPSUs have been shown in the list of loss making CPSUs which indicates that majority of the CPSUs selected for disinvestment are actually profit making entities. The Committee was informed that all CPSUs except those in the strategic areas are eligible for strategic disinvestment. However, divergent opinions were expressed before the Committee as to what constitute 'strategic' areas. NITI Aayog was of the view that CPSUs serving national security purposes, sovereign or quasi-sovereign functions could be categorised as 'strategic' CPSUs and must be retained by the Government. The Department of Heavy Industries (DHI) was of the view that CPSUs providing essential goods and services and holding dominant market positions in petroleum, power, steel, mining and transportation sectors are 'strategic'. Bharat Petro Resources Limited (BPRL), a wholly owned subsidiary of Bharat Petroleum Corporation Limited (BPCL) that is

engaged in Oil and Gas exploration in India and overseas supporting a national policy, considered itself a 'strategic' CPSU. MTNL and BSNL that are operating in the telecommunication sector also consider themselves of 'strategic' importance. The Disinvestment Commission has classified CPSUs that operate in the "strategic" category such as (i) arms and ammunition, and allied items of defence equipment, defence aircrafts and warships, (ii)atomic energy, (iii) minerals specified in the schedule to Atomic Energy (Control of Production and Use) Order 1953, and (iv) Railway transport. Further, NIPFP, an expert organization who deposed before the Committee is of the view that CPSUs that are performing critical functions related to production of defence equipment or nuclear power production are strategic.

The Committee are surprised to note that even the NITI Aayog had not held any consultations with CPSUs before arriving at the definition of 'strategic'. The Aayog, as per their own submissions, relies upon the definition provided in the year 1997 by the erstwhile Disinvestment Commission and the 14th Finance Commission. The Committee are worried as to how the criteria laid down almost two decades ago would still be serving the purpose particularly when divergent opinions on the definition of 'strategic' have been coming forth from CPSUs/ Departments of the Government.

The Committee thus feel that, in the event of the Government itself not having a uniform parameter for categorising CPSUs as 'strategic' it would be difficult for them to arrive at any conclusion

whether a particular CPSU is to be retained by the Government, closed or divested. In such a scenario, the Committee recommend the Government to work out a uniform definition/parameters of 'strategic' for classification of CPSUs.

7. CASE STUDY OF 12 IDENTIFIED CPSUS BY THE COMMITTEE

The Committee undertook comprehensive examination to find out the actual reasons for some of the PSUs suffering huge losses, on case-to-case basis, by shortlisting 12 major such PSUs. Apart from these PSUs, views of their administrative Ministries were also heard and information obtained from them by the Committee. The analysis of the inputs received in this regard is as under :

Sl. No.	Name of the Company & year of incorporation	Year since when incurring losses	Turnover (2016-17)	Investment made (in crore)	Support provided (in crore)	Reasons for losses	Status
1.	Instrumentation Limited (1964)	1991-92	213.41 (2015-16)	146.06	26545.21	Globalization of the Indian economy, excessive manpower and shortage of working capital	Kota unit to be closed and Pallakad unit to be transferred to Kerala Government.
2.	HMT Ltd. (1953)	2010-11	22.9	1536.07	2403.66	Rising costs, technology gap, market conditions, working capital constraints etc.	(i). Closure of Tractor division approved by Cabinet. (ii). 3 subsidiaries HMT watches, HMT Chinar Watches & HMT bearings approved for closure by CCEA
3.	Hindustan Paper Corporation Limited (1970)	2009-10	182.89	1098.83	588.81	Non-availability of bamboo, ban on mining of coal in Mizoram etc.	Both the units of HPCL are stopped for non-availability of working capital and payment of salaries
4.	BSNL (2000)	2009-10	28403	15626.57	30604.28	Payment of spectrum charges, legacy issues, social obligations etc.	As per guidelines of DPE, BSNL has been declared as

Sl. No.	Name of the Company & year of incorporation	Year since when incurring losses	Turnover (2016-17)	Investment made (in crore)	Support provided (in crore)	Reasons for losses	Status
							'Incipient sick'
5.	MTNL (1986)	2009-10 barring 2013-14	3552.46	7641.31	954.16	High cost of 3G spectrum, High employee cost, stiff competition, manpower issues, high maintenance cost, upgradation and modernization	Revival plan submitted to DoT on 06.04.2017 is under active consideration
6.	SAIL (1973)	2015-16	209268	23218.01	--	Adverse market conditions, increase in coal prices, Adverse impact of levy of contribution to DMF and NMET, increase in salaries, higher interest charges, higher depreciation	Expected to earn profit
7.	HSCL (1964)	Since last 30 years	1196.05	70.00	1593.9	Low recruitment for last 25 years, low consumption of steel,	The Company generated net profit of Rs. 30.19 crore during 2015-16 for the first time in 30 years. The Company has been taken over by NBCC wef 1.4.2017
8.	FACT (1943)	1998-99	1942	2417.56	3639.75	Delay in implementing the revival package, changes in policy, not addressing policy anomalies in time, closure of urea plant, non operation of urea & caprolactam plant and working capital cost etc	Financial restructuring package submitted to the Department of Fertilizers
9.	HAL (1954)	1973-74	10.73	441.83	324.55	Increase in prices of petroleum products, interest liability, non revision of prices by DPCO	Under disinvestment
10.	BPRL (2006)	Company under construction	--	4967.10	--		Company under construction
11.	Air India (2007)	2007	22146.00	62766.13	26545.21	Legacy issues, unprofitable routes, stiff competition, high operating cost, accumulated interest, cumbersome procurement method, phasing out old aircrafts	Under disinvestment, the Company its operations on a Going Concern Basis.
12.	SPMCIL (2006)	2014-15 only	--	1182.49	--	Price adjustment made in 2014-15 concerning to the earlier years due to revision of selling price of circulating coins and postal items retrospectively	The Company earned profit during 2016-17

The aforesaid inputs as received from the concerned CPSUs / Administrative Ministries / DPE indicates a sorry state of affairs with regard to the present status of major CPSUs which were backbone of various sectors of the economy at one point of time and had contributed immensely to the country. Although the reasons varied from enterprise to enterprise, some common reasons for losses in CPSUs as emerged during the course of deliberations are old and obsolete plant and machinery, outdated technology, low capacity utilization, high interest burden, excess manpower, weak marketing strategies, lack of business plans, dependence on Government orders and decisions and delays therein, shortage of working capital, high cost of production etc. Even when the major CPSUs continued running on losses, the Committee are concerned to note that no efforts were made on the part of DPE, the nodal Ministry for CPSUs to make some analytical study concerning loss making CPSUs as is apparent from the reply of the Department whereby their response was negative on a specific query enquiring as to whether any case study was undertaken on CPSUs continuously making losses or any analysis undertaken regarding closure / revival / disinvestment of loss-making CPSUs. Nevertheless, the Committee strongly recommend for undertaking a scientific study in this regard through learnings from the past experiences so that the mistakes committed in the past are not repeated.

With regard to loss making CPSUs not working well and incurring huge losses over a long period of time, the Committee would like the Government to consider for closure of these loss making CPSUs. The Committee find that many of the loss making CPSUs have a number of subsidiaries some of them are running on losses and some of them are making profits. The Committee would, therefore, like to recommend that

the performance of the subsidiaries of loss making CPSUs should be thoroughly analyzed to have a comprehensive view on the overall performance of the Undertakings which would facilitate the Government to take sound decision on the disinvestment /closure of specific units of the loss making CPSUs.

8. AIR INDIA

With regard to the status of Air India, the Committee note that as per the information furnished by DPE, the Cabinet Committee on Economic Affairs (CCEA) in its meeting held on 28th June, 2017 has given in principle approval for considering strategic disinvestment of Air India and its five subsidiaries and constitution of Air India Specific Alternative Mechanism (AISAM) to guide the process of strategic disinvestment from time to time and decide treatment of unsustainable debt of Air India; hiving off of certain assets to a shell company; demerger and strategic disinvestment of three profit-making subsidiaries; the quantum of disinvestment; and the universe of bidders.

In this connection, the Committee recall that this Committee and various other Parliamentary Committees too, apart from C&AG, had examined Air India at different points of time and given valuable suggestions/ recommendations. However despite efforts to implement Turnaround Plan and bring it back to normalcy, the PSU functioned under a large debt burden which became unmanageable and increased to gigantic proportions year after year. From the information furnished by the Ministry of Civil Aviation through DPE, it

is noted that NITI Aayog listed the various issues while recommending disinvestment of Air India which *inter alia* include continuous losses and huge accumulated losses with a cash deficit of around Rs.200-250 crore per month mainly on account of the huge debt service burden; the Turn Around Plan focusing only on equity infusion without any plan for re-engineering the processes and not recommending any structural changes or changes in the methods of appointment at senior levels of management, long freeze on recruitment of staff other than pilot and cabin crew which left Air India deprived of fresh talent new ideas, shrinking Air India market share and aviation is not a strategic priority business. The Committee also find that it has specifically been mentioned by NITI Aayog that the losses of Air India can also be attributable to the decision of merger taken in 2007 wherein two very different organizations with dissimilar equipment and Human Resources practices were intended to be merged.

The Committee understand that it has been planned to disinvest Air India and the process in this regard is undergoing. While noting the status of disinvestment of Air India, the Committee hope that the process would be completed expeditiously. The Committee in this regard would like to be apprised about the fate of debts and liabilities on the disinvestment of Air India.

9. <u>MERGER/TAKEOVER OF SICK PSUs(MTNL & BSNL)</u>

The Committee have noticed diametrically opposite results out of the merger/takeover of sick PSUs. It emerged during the course of

deliberations with various CPSUs/Ministries that while the merger of two loss-making PSUs i.e. Air India and Indian Airlines did not work well and the proposed merger of IL with BHEL failed to materialise, the takeover of Hindustan Steelworks Construction Ltd. (HSCL), a loss-making PSU by a profit making PSU like NBCC seems showing positive results. With regard to the merger of AIL & IAL into NACIL, the Committee would like to recall that in their Report No.18 of 2011, the C&AG termed the merger of AIL & IAL into NACIL as 'ill-timed, without proper justification and synergized operation, without HR integration, delayed and having serious uncertainties'. The NITI Aayog also mentioned that the losses of Air India can also be attributable to the decision of merger taken in 2007 wherein two very different organizations with dissimilar equipment and Human Resources practices were intended to be merged.

The Committee gathered the impression from the deliberations with MTNL , during their examination of loss making CPSUS, that the merger of two PSUs, biggest loss-making ones, in the communication sector, i.e. BSNL and MTNL, was under consideration of the Government. The Committee were informed that such a merger would pave the way for Pan-India presence, leveraging combined capacity, reduction in fixed costs, avoidance of duplication of facilities etc. However, in the later communication, the Committee have been apprised by MTNL that no such possibility has been examined at MTNL's level, merging of MTNL with private entities is possible if the share holding of Government of India is brought down to less than 50% by offering the same to private telecom operators through

strategic disinvestment route and since MTNL is a listed company, the SEBI and other regulations including company laws are to be followed, DPE, the nodal Department of CPSUs was not aware of any such development and sought the views of DoT which didn't respond on the specific query sent by the Secretariat. In the backdrop of the fact that in a very similar scenario, the Government's decision to merge two heavy loss-making PSUs, Indian Airlines and Air India didn't work very well, the Committee caution the Government to analyze all the factors before taking any decision on the merger of two CPSUs, particularly in the context of merger of two biggest loss making CPSUs, MTNL & BSNL whose combined financial liabilities during 2016-17 was a whopping ₹2403873 lakh, the combined manpower of both PSUs is a staggering figure of 224367 persons and also various procedural lapses have been pointed out in the case of MTNL and BSNL by C&AG of India in their several commercial reports, e.g. Report No. 12 of 2008, Report No.17 of 2014, Report No.20 of 2015, Report No. 55 of 2015 and Report No. 29 of 2016. Besides, these PSUs are working under oligopolistic market structure where there is stiff competition from private companies.

10. DELAY IN CASH & SUPPORT AND OTHER APPROVALS BY THE GOVERNMENT

The Committee have been informed by the Ministry that investment in a PSU is made on commercial considerations with a view to sustain the growth and viability of the company. However during their examination of the subject, the Committee noticed several instances of Government investments /support not reaching

well in time to loss making PSUs and the inventories of the PSUs becoming obsolete in the process. Some such instances of delay were as under:

(i) In the case of Instrumentation Limited, a PSU, which suffered in post-liberalization era i.e. after 1994 when it was declared sick. In this case, a rehabilitation scheme could only be approved in 1999, i.e. five years after declaration of its sickness, and even afterwards, the scheme could not be implemented fully which led to the inventory and manpower of the company becoming worthless. The Company was further unable to implement their Modified Revival Scheme of 2010 due to the time overrun of over 13 months in sanction of the scheme and no cash support for the same. Besides, even though IL has been closed, its Kota unit employees statedly have not been paid their dues in full.

(ii) In MTNL, the pension bill of employees accumulated to ₹10,900 crore for which the Government has to step in due to the weak financial position of the company. However, the liabilities have not been settled in the last four years despite the Government decision to pay it in January, 2014.

(iii) In another case, BSNL informed the Committee about their time taking and cumbersome process of procurement and long wait for Government's decisions due to which they lost the ground on GSM front.

(iv) In FACT, a revival proposal placed before BPRSE in 2013 was delayed leading to severe financial crunch forcing the Company to stop fertiliser production in 2015-16.

Hence, the Committee feel that while it is no secret that the PSUs are running with huge support from the Government Exchequer, it is also a fact that delays in taking decisions on the part of the Government plunged these PSUs further into uncertainties as well as deterioration in respect of performance. The Committee are convinced that in today's fast-paced business environment, crucial decisions on PSUs remaining long pending in the administrative Ministries/Departments would harm the companies beyond repair. In this connection, the DPE stated that the concerned administrative Ministries of the CPSUs are expected to take concrete steps to ensure that decisions on proposals are accorded in a time-bound manner. The Committee, while reiterating the view, also note the suggestions given by experts that the Government may work out categories like restructuring, monetizing assets, technological upgradation etc. on which decision of either the Boards of the loss-making PSUs, the Administrative Ministry or a Group of experts could be considered final and acted upon urgently. The Committee desire the Government to consider these suggestions and come out with measures to prevent delays. They desire to be apprised of such efforts, envisaged to minimize delays with respect to decisions on crucial matters concerning loss-making PSUs.

11. NEED FOR AUTONOMY FOR EFFICIENT FUNCTIONING OF CPSUs

Although DPE during the course of deliberations have emphatically stated giving adequate autonomy to CPSUs/their Boards in the matters of recruitment as well as procurement of machinery or participation of strategic tenders, from the evidences of CPSUs, the Committee gathered that most of the CPSUs did not have the desired authority or independence in decision making especially in the matters of recruitment, procurement, or even in devising marketing strategies. Besides, even though lacking the desired independence, the CPSUs were being held responsible for losses which, in many cases, were the outcome of decisions that were taken by the Government. As stated by the CPSUs during evidence, the merger of IAL & AIL, the shifting of huge number of employees from other Departments/PSUs to MTNL and HSCL, the compulsion to MTNL to take part in auction of spectrum, were some such decisions which adversely dented the performance of these CPSUs, though, in their replies, the administrative Ministries of the CPSUs have claimed to have given independence to the CPSUs in their functioning. The CPSUs also faced procurement hurdles due to cumbersome procedures which normally their private counterparts did not face.

The Committee feel that unless the CPSUs are given the desired level of independence which their counterparts in the private sector have, they will not be able to compete in the market. The Committee, therefore, emphasize for giving sufficient autonomy to CPSUs so as to enable them to compete in the market particularly with the private

players. The expert organizations who deposed before the Committee was of the view that the CPSUs' Board must be sufficiently empowered to take nearly all strategic decisions such as formation or dissolution of partnerships/ Joint ventures, mergers/ acquisitions, appointment of CEO, creation of below-board level positions, etc. and such a Board should be given a fixed term to make them more accountable and in the event of any lapses, accountability must be fixed for the Board/concerned Ministry/Department in their respective areas. The Committee desire to be apprised of the action taken in this regard at the action taken stage.

12. <u>OUTDATED PLANTS & MACHINERY/OBSOLETE TECHNOLOGY</u>

Technology is one of the key issues while assessing a PSU. During the examination, the Committee noted that in several loss-making PSUs, the technology being used became simply outdated with passing of time. PSUs like Hindustan Photo Films, HMT, etc. lost relevance only due to outdated technology and products. The Committee were informed during the evidence that some of these PSUs which had production based on obsolete technology, like HMT tried to stay afloat by diversifying from watch segment to tractor segment but failed to keep up the competition with private companies, and this process ultimately multiplied their liabilities, and finally they could not survive. The products of Hindustan Photofilms became outdated on account of shifting of market demand to digital films and the PSU had to closed down as their equipment and infrastructure was not suitable for digital products. Obsolete

technologies have dented the performance as well the image of the telecommunication sector PSUs too. In fact one of the reasons for service-sector loss-making PSU MTNL receiving complaints from its customers is that their systems do not operate on the 4 G spectrum technology and hence call-drop or similar issues are consistently occurring leading to frustration among customers resulting in their decision for shifting to other telecom service companies. As regards BSNL, way back in the year 2015, the C&AG of India in their Report No. 20 (Union Government-Communications & IT Sector) had commented upon the failure by BSNL to provide good quality GSM mobile network at competitive tariffs leading to erosion of its subscriber base and loss of assured revenue of ₹100 crore. Even the Department of Pharmaceuticals informed the Committee that the reasons for Pharma CPSUs going under loss include outdated plant and machinery and obsolete technology.

In this background, the Committee are of the considered view that for sick/loss-making CPSUs particularly working in complex technology sectors, a group of experts need to be consulted, ideally as soon as the company starts losing market for their products, to explore and recommend timely updation of technology for their turnaround, alongwith captive/preferential purchase of products/services of such companies by the Government departments/CPSUs, at least till the desired effect of turnaround is achieved. The Committee desire that this aspect must be considered by the Government, particularly the Ministries/Departments like Heavy Industries, which have the large number of loss-making PSUs, and

requisite action is taken. The Committee desire to be apprised of the same at the action taken stage.

13. <u>DIVERSIFICATION</u>

During the examination of the subject, the Committee took note of many loss-making PSUs resorting to diversification of their businesses to stay afloat. The experts who deposed before the Committee were of the view that leaving the core business to diversify into businesses not in-sync with their core strengths by some of the sick PSUs, could not help in checking and reversing the loss-making trend at all. In this connection, the Committee concur with the views of the DPE that diversification into new products/avenues is a business decision to be taken by the management of a company and for the same, the Company should do SWOT (Strength, Weaknesses, Opportunities and Threat) analysis, plan accordingly and acquire new expertise in the new areas so that downside risk is minimized. Further the dynamics of the sector and the overall market scenario should be kept in mind while considering diversification. While the Boards of the CPSUs are expected to keep the factors mentioned above in mind, the Committee feel that the administrative Ministries need to ensure requisite autonomy to the Boards of CPSUs to take such decisions with due caution, preferably in related/desired fields, and carry those forward.

14. MANPOWER ISSUES

Rationalization of manpower in PSUs has always been an issue with the PSUs. The total employee strength of all CPSUs, as per the DPE Survey (2016-17) is 11.31 lakh, excluding contract workers. The Committee have observed that unscientific management of the manpower has proved to be one of the reasons for PSUs like IL, MTNL, Air India etc. suffering thin profit margins which ultimately led these companies into perpetual sickness. The need to instill corporate culture/ proper work culture among employees has also been highlighted during the examination of service sector loss making PSUs like MTNL. Hence, the Committee feel that the PSUs must have a rationalized manpower with commitment towards work. The Committee are also of the opinion that the Government and Boards/Management of PSUs must ensure to motivate employees to drive profit and innovation at work.

ISSUES RELATED TO CLOSED/UNDER-CLOSURE LOSS MAKING CPSUs

The Committee during the course of examination deliberated on the various aspects post-closure/under-closure of loss making CPSUs which are discussed below in the report:-

15. Delay in payment of dues/VRS packages

The Committee are extremely pained to note that PSUs like HMT, IL, HAL, RDPL, etc. have been unable to pay even the full salaries to their employees for years together. Further, most of such PSUs are not in a position even to discharge their VRS liabilities for willing

employees without the Government's support. The Committee are perturbed not only at the bleak future the employees of the closed/under closure loss-making PSUs but also at the plight of their dependents who are facing avoidable daily hardships due to non-receipt of salaries or VRS packages. Surprisingly, NITI Aayog has also not made any estimate on the full implications of VRS nor they proposed any budgetary provision for utilization in the event of closure of these CPSUs. The Committee further observe that there are large number of employees in loss making PSUs who are in the younger age bracket and being a highly skilled workforce and qualified professionals, are eager to work towards turnaround of their company's fortune but are unable to do so due to acute shortage of working capital. The Committee feel that the Government must give serious considerations on all such issues in a specified time frame with a view to not only utilize the skilled work force of loss making PSUs but also save their dependents from a life of misery and despair. In a nutshell, the Committee would emphasize that it is a humanitarian issue for the Government as dependents of such employees suffer the most when a PSU becomes incapable of disbursing their salaries/completing VRS packages/or when the employees lose their employment due to closure of the PSU. Hence, they desire that all administrative Ministries handling loss-making PSUs must not delay clearing of dues of their employees. The Government must prioritize cash support for the same, if required. The Committee desire to be apprised of the latest PSU-wise position of pending dues of the employees, period of pendency and the action taken/required to settle the same.

16. CRR Scheme of DPE

As regards rehabilitation of affected/discharged employees of closed PSUs, the Committee note that the DPE has been implementing the CRR (Counseling, Retraining and Redeployment) Scheme since 2001-02 which was modified in 2016 to bring in collaboration with the National Skill Development Corporation. While the Committee would like to be apprised of the actual outcome of this scheme and the benefits it accrued to the employees of the loss making PSUs, they fail to see the relevance of skill development for those affected/ discharged employees of commercial companies, who are already possessing high technical qualifications and are no more in the younger age bracket, since the basic objective of the Government's various skill development programs, like Pradhan Mantri Kaushal Vikas Yojana, SANKALP, UDAAN, etc. as of now, is largely to train young population/non-literates/neo-literates/school dropouts/undergraduate etc. in various trades/skills. At its best, the contractual employees of the PSUs can benefit by gaining additional or enhanced skills under CRR which could open up new and better employment opportunities for them. The Committee feel that the scope of CRR Scheme should be broadened to include such employees as the CRR Scheme is presently applicable only on separated employees of loss making PSUs and only one dependent of VRS optees, in case the optee is not interested. The Committee are also in doubt whether 'redeployment' of trained employees under the scheme proved beneficial enough to the employees of closed loss-making PSUs since the CRR Scheme does not guarantee it. Besides

out of the 1576 candidates trained under the scheme in 2016-17, only 887 persons i.e. hardly 50% could be redeployed under self/wage employment. Hence, the Committee desire to have a detailed note from DPE on whether these aspects have been taken care of, while modifying the CRR scheme with the collaboration of NSDC as well as on the overall impact of CRR Scheme on employees of loss-making PSUs.

17. <u>SURPLUS LAND AND ASSET SALE OF LOSS-MAKING PSUS THROUGH NBCC</u>

Most of the CPSUs have large monolith-type integrated production facilities in prime locations. Although the loss-making CPSUs do not have the powers to monetize their surplus land and assets themselves, the Committee note that since most of these PSUs had a huge bank of land assets at prime locations, i.e. Mumbai, Delhi, Jaipur, Ooty, etc. in the country, the Government decided that loss-making companies could identify and share details of such surplus land/property assets for sale, which could generate substantial revenue, instead of laying idle, owing to halt/slowdown of production in the loss-making company. The Committee further note that National Building Construction Corporation (NBCC), appointed as the Land Management Agency (LMA) by the Government, has since been engaged in this task by 10 loss-making PSUs only, in response to the EOI sent by NBCC to 74 loss-making PSUs. 28 such PSUs have statedly declined the EOI of NBCC. The Committee examined the details of the few properties owned by MTNL, Air India, HMT Watches

and IL, which are currently at various stages, albeit none finalized, of being sold/redeveloped.

From their examination, the Committee find that the process of monetization of assets of loss making CPSUs is hardly progressing fast as these properties have not generated requisite interest among potential buyers. To cite an instance, the Department of Pharmaceuticals informed the Committee that the tenders for e-auction of surplus lands of HAL, IDPL and BCPL have been uploaded on the web portal of M/s MSTC, the auctioning agency, since May, 2017 and inspite of the Department writing thrice to every Government Department, State Governments, 24 leading CPSUs and 7 Insurance Companies last year, as well as, extension of last date for receiving the bids, not a single bid was received till date. The Committee have been categorically informed by the Department that in view of lack of response to bids for land and asset sale of pharma companies, there is delay in meeting their liabilities resulting in delay in the closure of IDPL and RDPL/strategic sale of HAL and BCPL. Besides, as informed by the NBCC, most of the loss-making PSUs have declined to avail their services.

In the opinion of the Committee, the task of monetizing intangible assets of loss making PSUs is a complex matter and needs expertise. In fact, the C&AG, in their Report No. 40 of 2016 stated that Air India Ltd. failed to achieve the target of monetization of their assets due to improper selection of properties not based on actual feasibility of monetization and in their recommendation, hinted on the absence of proper title deeds as well as limiting provisions/conditions in the lease agreements of assets of the PSU thereby impacting their

monetization. The Committee hence desire the Government to pay attention to these aspects, while reviewing their policy on sale/monetization of surplus land and assets of the loss making PSUs, as well as to ensure that such decisions are in tandem with the prevailing land acquisition laws. Besides the Committee would like to emphasize for making the process of monetization of assets including land of loss making PSUs transparent. With regard to sale of land of loss making PSUs, the Committee would like to be apprised whether the Government has explored any future requirement of the land & assets, currently identified for sale, by such loss-making PSUs, which are slated to be revived, and not closed, because acquiring the assets of such scale and at prime locations again may not be possible in future.

18. The Committee have been apprised that cash received through the monetization of assets of loss making CPSUs would be deposited in a separate account. The Committee in this regard would like to be apprised about the amount deposited so far and the mechanism developed for use of such resources.

19. The Committee find that whereas a private company has autonomy to dispose of some of its assets including land to come out from the worst scenario when the company is in great losses and is not able to manage its debt liabilities, in case of a CPSU such autonomy is not there. DPE in this regard has emphatically justified the present policy of the Government stating that CPSUs have been set up with public funds and Government is the majority shareholders in these CPSUs and therefore, it may not be appropriate to empower the Boards of CPSUs to monetize their assets. Keeping in view the

present scenario of ever-evolving technology and tough competition in the market that a CPSU has to work and the present scenario of more and more CPSUs falling sick, the Committee feel that the aforesaid policy need to be relooked by the Government.

New Delhi
14 December, 2018
23 Agrahayana, 1940 (S)

SHANTA KUMAR
Chairperson,
Committee on Public Undertakings.

<u>COMMITTEE ON PUBLIC UNDERTAKINGS</u>
(2016-2017)

MINUTES OF THE SECOND SITTING OF THE COMMITTEE

The Committee sat on Thursday, the 09th June 2016 from 1100 hrs to 1300 hrs in Committee Room "D", Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Shanta Kumar - Chairperson

MEMBERS

Lok Sabha

2. Shri Lal Krishna Advani
3. Shri Biren Singh Engti
4. Shri Kristappa Nimmala
5. Shri Prahlad Patel
6. Smt. Krishna Raj
7. Shri Sushil Kumar Singh
8. Shri Rameshwar Teli

Rajya Sabha

9. Shri Narendra Budania
10. Shri Ram Narain Dudi
11. Shri Naresh Gujral
12. Shri Praful Patel

SECRETARIAT

1.	Smt. Sudesh Luthra	Joint Secretary
2.	Smt.Anita B. Panda	Director
3.	Shri G.C. Prasad	Deputy Secretary

INDIAN RAILWAY CATERING AND TOURISM CORPORATION (IRCTC)

1.	Dr. A. K. Manocha	CMD, IRCTC
2.	Shri M.P. Mall	Director (Finance)
3.	Smt. A.K. Brar	Director (T&M)
4.	Shri V. Sriram	Director (CS)

DEPARTMENT OF PUBLIC ENTERPRISES (DPE), MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES

1.	Shri Ameising Luikham	Secretary
2.	Dr. M. Subbarayan	Joint Secretary
3.	Shri A.S. Bhal	Adviser
4.	Shri S.K. Goyal	Adviser

The Hon'ble Chairperson at the outset welcomed the Members and the representatives of the Indian Railway Catering and Tourism Corporation (IRCTC) to the Sitting and drew the attention of the representatives to Direction 55(1) of the 'Directions by the Speaker' regarding confidentiality of evidence tendered before the Parliamentary Committees.

2. The representatives of IRCTC then made a power-point presentation on the functioning and performance of Indian Railway Catering and Tourism Corporation (IRCTC). In the presentation, the representatives elaborated on the creation of IRCTC, its mission and objectives and its current operations and performance, apart from its future plans. Thereafter, the Chairperson and Members raised several queries pertaining to the corporation. In particular, the Committee raised the issue of losses suffered by IRCTC in departmental catering segment, IRCTC's diversification into various business segments which did not involve catering, its investment and revenue earned from various segments, particularly the sale of 'Rail Neer', granting of tenders for catering etc. The Members were particularly concerned about the issue of hygiene and quality of food and the provision of affordable and pure drinking water to rail passengers. Issues regarding filling up of vacant posts, services rendered to rail passengers at railway stations particularly availability of retiring rooms, medicines etc. were also raised by the Members. The representatives of IRCTC responded to most of the queries. In respect of points for which information was not readily available with them, the Chairperson directed that written replies may be furnished to the Committee Secretariat at the earliest.

(The representatives of IRCTC then withdrew)

(Representatives of Department of Public Enterprises were then ushered in)

3. The Hon'ble Chairperson welcomed representatives of the Department of Public Enterprises to the Sitting and drew the attention of the representatives to Direction 55(1) of the 'Directions by the Speaker' regarding confidentiality of evidence tendered before the Parliamentary Committees.

4. The representatives of Department of Public Enterprises then made a brief power-point presentation on the subject "Review of Loss making CPSUs". While elaborating upon the mandate of the Department *vis a vis* loss making/sick CPSUs, the representatives of the DPE apprised the Committee about the quantum of losses incurred by CPSUs during the last ten years, reasons for these losses and revival/restructuring measures being undertaken by the Government in this regard. They also apprised the Committee about the New Guidelines for streamlining the mechanism for revival and restructuring of sick PSUs. It was further highlighted that as per the New Guidelines, the administrative Ministries/Departments are responsible to monitor the performance of CPSUs and prepare the required revival/restructuring plans in a time bound manner and the DPE was the nodal Department for coordination purpose and thus is mainly responsible for collecting of information and data on CPSUs.

5. Thereafter, the Chairperson and Members raised several queries. In particular, the Members sought detailed information on the issues such as total accumulated losses of loss making CPSUs, steps being taken by the Government to improve the financial health of CPSUs whose profits have witnessed significant decline during the past few years and interventions made by the DPE to ensure that PSUs comply with the Guidelines/policy framework laid down by the Government etc. The Members also sought clarifications with respect to the impact of "New Bankruptcy and Insolvency Code" on the institutional framework dealing with the revival and restructuring of sick PSUs. The representatives of DPE responded to most of the queries. In respect of points for which information was not readily available with them, the Chairperson directed that written replies may be furnished to the Committee Secretariat at the earliest.

(A verbatim record of the proceedings has been kept separately).

The Committee then adjourned.

<u>COMMITTEE ON PUBLIC UNDERTAKINGS</u>
(2016-2017)

MINUTES OF THE FOURTH SITTING OF THE COMMITTEE

The Committee sat on Thursday, the 27th June 2016 from 1100 hrs to 1300 hrs in Committee Room "D", Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Shanta Kumar - Chairperson

MEMBERS

Lok Sabha

2. Shri Lal Krishna Advani
3. Dr. Kambhampati Haribabu
4. Shri Prahlad Patel
5. Shri Shivaji A. Patil
6. Smt. Krishna Raj
7. Shri Narendra Keshav Sawaikar
8. Shri Sushil Kumar Singh

Rajya Sabha

9. Shri Naresh Gujral
10. Shri Praful Patel
11. Shri A.K. Selvaraj
12. Shri Tapan Kumar Sen
13. Shri Ram Chandra Prasad Singh

SECRETARIAT

1.	Smt. Sudesh Luthra	Joint Secretary
2.	Smt. Anita B. Panda	Director
3.	Shri G.C. Prasad	Deputy Secretary

BHARAT SANCHAR NIGAM LIMITED (BSNL)

1.	Ms. Sujata Ray	Director (Finance)
2.	Shri M.N Punje	Sr. GM
3.	Smt. V.K Sharma	GM

At the outset, the Hon'ble Chairperson welcomed the Members and the representatives of the Bharat Sanchar Nigam Limited (BSNL) to the Sitting and drew the attention of the representatives to Direction 55(1) of the 'Directions by the Speaker' regarding confidentiality of evidence tendered before the Parliamentary Committees.

2. The representatives of BSNL thereafter made a brief presentation on the BSNL which is being examined by the Committee under the subject "Review of Loss making CPSUs". Highlighting the business profile of the Company, they apprised the Committee about the quantum of losses incurred by the Company during the past few years, reasons for these losses and remedial measures being taken by the Company in this regard. They also apprised the Committee about the challenges being faced by the Company such as excess manpower, comparatively higher expenditure on manpower, delay in decisions relating to procurement of new equipment and modern technological solutions which have placed the company in a disadvantageous position *vis a vis* major private telecom companies. However, apart from the challenges, they also highlighted the potential areas such as precious spare land which may be a source of additional revenues and massive optical fiber presence of the Company across the country which may facilitate a turnaround of the company in near future.

3. Thereafter, the Chairperson and Members raised several queries. In particular, the Members sought detailed information on the issues such as total accumulated losses to the Company, total investment made in the Company by the Government till date, steps being taken by the Company to arrest the decline in profits. The Members also sought clarifications with respect to the steps being taken by the Company to improve the quality of services, asset monetization plans of the Company, proposal of VRS to excess employees and Company's strategy to deal with the challenges thrown upon by the private players in an open market. The Members also emphasized the need to reorient the work-culture of the Company as per the present day requirements in order to keep its customer base intact and survive in a severely competitive telecom sector.

4. The representatives of BSNL responded to most of the queries. In respect of points for which information was not readily available with them, the Chairperson

directed that written replies may be furnished to the Committee Secretariat at the earliest.

(A verbatim record of the proceedings has been kept separately).

The Committee then adjourned.

<u>COMMITTEE ON PUBLIC UNDERTAKINGS</u>
(2016-17)

MINUTES OF THE ELEVENTH SITTING OF THE COMMITTEE

The Committee sat on Thursday, the 6th October, 2016 from 1100 hrs to 1245 hrs in Committee Room 'D', Ground Floor, Parliament House, New Delhi.

PRESENT

Shri Shanta Kumar - Chairperson

MEMBERS

Lok Sabha

2. Shri Lal Krishna Advani
3. Shri Ramesh Bais
4. Shri Prahlad Patel
5. Shri Ajay Nishad
6. Shri Ram Sinh Rathwa
7. Shri B. Senguttuvan
8. Shri Sushil Kumar Singh
9. Shri Kalikesh Narayan Singh Deo
10. Shri Rameshwar Teli

Rajya Sabha

11. Shri Ram Narain Dudi
12. Shri Tapan Kumar Sen
13. Shri Ram Chandra Prasad Singh

SECRETARIAT

1.	Smt. Sudesh Luthra	Joint Secretary
2.	Smt. Anita B. Panda	Director
3.	Shri G.C. Prasad	Deputy Secretary

REPRESENTATIVES OF AIR INDIA LTD.

1.	Shri Ashwani Lohani	CMD
2.	Shri Pankaj Srivastava	Director (Commercial)
3.	Shri V. Hejmadi	Director (Finance)

At the outset, the Hon'ble Chairperson welcomed the Members and the representatives of the Air India Limited to the Sitting and drew the attention of the representatives to Direction 55(1) of the 'Directions by the Speaker' regarding confidentiality of evidence tendered before the Parliamentary Committees.

2. The representatives of Air India thereafter made a brief presentation on the Air India Limited, which is being examined by the Committee under the subject "Review of Loss making CPSUs". Highlighting the business profile and financial/operational performance of the Company, they apprised the Committee about the improved financial performance of the Company particularly with respect to the operational profits of the Company during the year 2015-16. They also apprised the Committee about the quantum of net losses incurred by the Company during the past few years, reasons for these losses and main features of the turnaround plan being implemented by the Committee. They also apprised the Committee about the challenges being faced by the Company such as lack of optimal manpower and planes, comparatively slower nature of decision making and most importantly, the huge debt burden which have placed the company in a disadvantageous position *vis a vis* major private civil aviation companies. During the presentation, representatives of the Company also emphasized the need to refinancing of the high cost debt, fresh recruitment of staff/officers, fleet augmentation an consolidation of the route network in order to ensure a turnaround of the Company.

Thereafter, the Chairperson and Members raised several queries. In particular, the Members sought detailed information on the issues such as implementation of the turnaround plan, performance of various subsidiaries, steps being taken by the Company to improve its financial performance as well as operational performance particularly with respect to the various operational parameters such as on time performance and passenger load factor etc. The Members also sought clarifications with respect to the steps being taken by the Company to improve the quality of services, asset monetization plans of the Company, and its strategy to deal with the challenges thrown upon by the private players in an open market. The Members also emphasized the need to reorient the work-culture of the Company as per the present day requirements in order to expand its customer base and sustain itself in a severely dynamic civil aviation sector.

4. The representatives of Air India responded to most of the queries. In respect of points for which information was not readily available with them, the Chairperson directed that written replies may be furnished to the Committee Secretariat at the earliest.

(A verbatim record of the proceedings has been kept separately).

The Committee then adjourned.

<u>COMMITTEE ON PUBLIC UNDERTAKINGS</u>
(2017-18)

MINUTES OF THE EIGHTH SITTING OF THE COMMITTEE

The Committee sat on Thursday, the 26 September, 2017 from 1100 hours to 1310 hours in Committee Room 'E', Basement, Parliament House Annexe, New Delhi.

PRESENT

Shri Shanta Kumar - Chairperson

MEMBERS

Lok Sabha

14. Shri Ramesh Bais
15. Shri G. Hari
16. Shri Rabindra Kumar Jena
17. Dr. Hari Babu Kambhampati
18. Shri Kristappa Nimmala
19. Shri Ajay Nishad
20. Shri Prahlad Singh Patel
21. Shri Sushil Kumar Singh
22. Shri Rameswar Teli

Rajya Sabha

23. Shri Naresh Gujral
24. Shri Praful Patel
25. Shri Ram Chandra Prasad Singh

SECRETARIAT

1.	Smt. Anita B. Panda	Director
2.	Shri G.C. Prasad	Deputy Secretary
3.	Smt. Mriganka Achal	Under Secretary

REPRESENTATIVES OF FERTILIZERS AND CHEMICALS TRAVANCORE LIMITED (FACT)

1.	Shri Sushil Lohan	CMD
2.	Shri Suresh Wadia	Director (F), Addl. Charge

REPRESENTATIVES OF HINDUSTAN ANTIBIOTICS LIMITED (HAL)

3.	Ms. Nirja Saraf	Managing Director
4.	Shri C. V. Puram	DGM

REPRESENTATIVES OF MAHANAGAR TELEPHONE NIGAM LIMITED (MTNL)

1.	Shri P.K. Purwar	CMD
2.	Shri Sunil Kumar	Director (HR)
3.	Shri Sanjeev Kumar	Director (Tech.)
4.	Shri S. P. Rai	Executive Director

REPRESENTATIVES OF BHARAT PETRO RESOURCES LIMITED (BPRL)

1.	Shri Ajay Kumar V.	Managing Director (In-charge)
2.	Shri Thomas James	DGM (Business Development & MIS)
3.	Shri Prasanna Sahoo	DGM (Finance)

2. The Committee met to take evidence of the representatives of Fertilisers and Chemicals Travancore Limited (FACT), Hindustan Antibiotics Limited (HAL) Mahanagar Telephone Nigam Limited (MTNL) and Bharat Petro Resources Limited (BPRL) in connection with examination of the subject "Review of Loss Making CPSUs"

The representatives of Fertilisers and Chemicals Travancore Limited

(FACT) were called in

3. At the outset, the Hon'ble Chairman welcomed the members and the representatives of the Fertilizers and Chemicals Travancore Limited (FACT) to the sitting and drew their attention to Direction 55(1) of the 'Directions by the Speaker' regarding confidentiality of evidence tendered before the Parliamentary Committees.

4. The representatives of FACT then briefed the Committee about the functioning and performance of FACT. They also briefed the Committee about the various posts vacant at the highest level in the Company and the reasons of incurring losses mainly after 1996-97 *viz.* high cost of production, decontrol of Fertilizer products such as Ammonium Sulphate, ban on import of Ammonia due to environmental and the other considerations, installation of Ammonium plant, increase in interest of Banks due to downgrading of Ratings of the Company, payment of penalty due to delay payment for raw materials etc.

5. Thereafter, the Chairperson and members of the Committee raised queries on a wide range of issues, particularly Court's directive on import of Ammonia, expansion of capacity and storage facilities availability of operation in case of high price of natural gas, awarding of contracts without tendering process, return on capital, absence of top management on permanent basis, filling up the vacancies etc. In respect of points on which information was not readily available, the representatives of FACT were asked to send written reply within fifteen days.

(The representatives of FACT then withdrew.)

6. Thereafter, the representatives of HAL were ushered in for tendering oral evidence. The representative of HAL briefed the Committee on various issues such as Company loss due to DPCO price control, increase in cost of production of penicillin, Government

policy which allows penicillin import from China, closure of penicillin plant since 2003, non-functioning fermentation facility, interest burden, excessive manpower, VRS issue, failure to generate income from sale of land etc. and the need for Government support of Rs 821 crore for the revival of the Company.

7. After the presentation the Committee raised issues such as employee related dues, failure of the Company to implement fully financial relief of Rs. 508 crore and the reasons thereof, Rs. 821 crore Government support sought by the Company as part of its revival plan and status of the Company's joint venture with Max GB etc. The Committee further discussed issues related to one-time payment of VRS to all 980 employees of the Company, enforcement of anti-dumping policy to check China's imports, selling of assets through a competitive bidding in the open market rather than restricting it to PSUs only and sale of assets through public auction etc.

(The witnesses then withdrew).

8. Thereafter, the representatives of MTNL were ushered in for tendering oral evidence. The representatives of MTNL briefed the Committee on various issues such as reasons due to which the Company became a debt-ridden Company, high cost of 3G spectrum/BWA spectrum, failure to upgrade, modernize, and expand its network, corporatization effect, large employee base, changing nature of market from 2G/3G to 4G/5G etc. The representative also explained the need of Government's support for CAPEX, VRS and debt issues, monetization of surplus land and buildings and the proposed merger of MTNL and BSNL.

9. After the presentation, the Committee deliberated upon issues particularly, the possibility of the merger of MTNL and BSNL, percentage of market share of BSNL,

combined debt of MTNL and BSNL, amount of CAPEX required to compete with private telecom companies etc.

(The witnesses then withdrew).

10. Thereafter, the representatives of BPRL were ushered in for tendering oral evidence. The representatives of BPRL briefed the Committee on various issues related to the Company's heavy investment in exploration and production activities of petroleum, both in India and abroad where 26 successful discoveries have been made in five countries including India, positive valuation the Company plan to contribute ten to twelve per unit of the Country's requirement in next four to five years span in oil production etc. They also apprised the Committee that BPRL should not be considered as a loss making Company since it is a start up, which has just overcome the initial phases of development and is confident of being a self-sustaining and profit making Company in future.

Thereafter, members raised several queries which related to holding share pattern of the Company, reasons for creation of subsidiaries, future prospects of the Company both in the domestic and overseas markets etc.

(The witnesses then withdrew).

A verbatim record of the proceedings has been kept separately.

The Committee then adjourned.

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COMMITTEE ON PUBLIC UNDERTAKINGS
(2017-2018)

MINUTES OF THE TENTH SITTING OF THE COMMITTEE

The Committee sat on Wednesday, the 11 October 2017 from 1110 hrs to 1205 hrs in Committee Room 'E', Basement, Parliament House Annexe, New Delhi.

PRESENT

Prof. Saugata Roy - *(In the Chair)*

MEMBERS

Lok Sabha

2. Shri Lal Krishna Advani
3. Shri Ramesh Bais
4. Shri G. Hari
5. Shri Rabindra Kumar Jena
6. Shri Ajay Nishad
7. Shri Prahlad Singh Patel

Rajya Sabha

8. Shri Shamsher Singh Manhas
9. Shri A.K. Selvaraj
10. Shri Tapan Kumar Sen

SECRETARIAT

1.	Smt. Sudesh Luthra	Additional Secretary
2.	Smt. Anita B. Panda	Director
3.	Shri G.C. Prasad	Deputy Secretary

REPRESENTATIVES OF INSTRUMENTATION LIMITED

1.	Shri M.P. Eshwar	CMD
2.	Shri Arvind Agarwal	Sr. Advisor & TSO to CMD, IL, Kota
3.	Shri Anil Kumar Shringi	Chief Advisor (F&A) and CS, IL Kota

2. In the absence of the Hon'ble Chairperson, the Committee chose Prof. Saugata Roy, member of the Committee, to chair the sitting, in accordance with rule 258(3) of the 'Rule of Proceeding and Conduct of Business in Lok Sabha.

3. At the outset, the Chairperson welcomed the members and representatives of Instrumentation Limited (IL). Thereafter, the representatives of Instrumentation Limited briefed the Committee on various issues related to the Company which included reasons for the Company loss due to opening up of economy in 1991 where the Company's technological partners and collaborators became competitors, failure of the Company to modernize its products range which ultimately led to the loss of the Company and financial distress faced by its employees which led to agitation etc. Thereafter, the representatives of Instrumentation Limited elaborated upon the various phases of revival plan and the various mechanisms adopted such as Modified Revival Rehabilitation scheme, disposal of the surplus immovable assets at Jaipur and Mumbai and difficulties/problems faced by the Company to achieve the said plan. Also, the Committee was apprised of the Cabinet approval for closure of Instrumentation Limited, giving of VRS/VSS scheme to employees of Instrumentation Limited, Kota Unit, and Kerala Governments' in-principle approval for transfer of Instrumentation Limited, Palakkad Unit to State.

4. After the presentation, members raised various queries on wide range of issues such as why the Company is running into losses while private companies involved in manufacturing business of the same products are making huge profits, how diversification will help the Company to minimize its losses and whether the Company could effectively make use of its manpower in its diversification activities etc. Thereafter, the Committee also asked on the status of takeover of Instrumentation Limited, Palakkad Unit by Kerala Government, the winding up proceedings of Instrumentation Limited, Kota Unit, liabilities of the Company related to employees and creditors claims which are yet to be settled, status of monetization of land banks in Jaipur, Mumbai and Delhi and the responses received from NBCC, the nodal agency for sale of idle assets, in this regard. The Committee also asked why Jaipur land sale proceeds could not be realized since it was the only cash generation option under the revival scheme. The

Committee raised other queries such as reasons why Rehabilitation Scheme and Modified Revival Schemes could not be implemented fully and the reasons for its partial implementation and also the measures taken by the Company to recover its dues to the Government departments.

5. The representatives of Instrumentation Limited responded to the queries. Besides, the Chairperson also directed that in respect of points for which information was not readily available with them, written replies may be furnished within fifteen days of the sitting.

The witnesses then withdrew.

(A verbatim record of the proceedings has been kept separately)

The Committee then adjourned.

<u>COMMITTEE ON PUBLIC UNDERTAKINGS</u>
(2017-2018)

MINUTES OF THE ELEVENTH SITTING OF THE COMMITTEE

The Committee sat on Thursday, the 12th October, 2017 from 1100 hrs to 1250 hrs in Committee Room 'E', Basement, Parliament House Annexe, New Delhi.

PRESENT

Ramesh Bais - Acting Chairperson

MEMBERS

Lok Sabha

2. Shri Lal Krishna Advani
3. Shri G. Hari
4. Dr. Hari Babu Kambhampati
5. Shri Kristappa Nimmala
6. Shri Ajay Nishad
7. Shri B. Vinod Kumar
8. Shri Prahlad Singh Patel
9. Adv. Narendra Keshav Sawaikar
10. Shri Ravneet Singh
11. Shri Sushil Kumar Singh
12. Shri Rameswar Teli

Rajya Sabha

13. Shri Praful Patel

SECRETARIAT

1.	Smt. Sudesh Luthra	Additional Secretary
2.	Smt. Anita B. Panda	Director
3.	Shri G. C. Prasad	Deputy Secretary

REPRESENTATIVE OF HINDUSTAN PARER CORPORATION LIMITED

Shri S K Jain CMD

2. In the absence of the Hon'ble Chairperson, the Committee chose Shri Ramesh Bais, Member of the Committee, to chair the sitting, in accordance with rule 258(3) of the 'Rule of Procedure & Conduct of Business in Lok Sabha'.

3. At the outset, the Hon'ble Chairperson welcomed the Members and the representative of Hindustan Paper Corporation Limited to the sitting of the Committee

convened to take evidence of the representative of Hindustan Paper Corporation Limited in connection with examination of the subject "Review of Loss making CPSUs". Thereafter, he drew their attention to Direction 55(1) of the Directions by the Speaker, Lok Sabha regarding confidentiality of the evidence before the Parliamentary Committee.

4. The representative of Hindustan Paper Corporation Limited then briefed the Committee about the reasons for incurring losses by the Company. He stated that the Company incurred losses after 2008-09 mainly due to non-availability of bamboo due to gregarious flowering and the ban by Mizoram Government on bamboo. The problem was compounded further on account of the ban imposed by National Green Tribunal (NGT) on production and transportation of coal from Meghalaya. The units of Hindustan Paper Corporation Limited at Cacher and in Assam were dependent on coal. He further stated that in order to start the units, the clearance of earlier dues, replacement of thirty year old boilers and provision of working capital are required. He also affirmed that NITI Aayog had opined to appoint a Transitional Advisor which will fix the terms and conditions for bringing operational Management partner who will be given the responsibility to run the Company.

5. After the detailed briefing by the representative of Hindustan Paper Corporation, members raised queries on the wide range of issues relating to non-functioning of Nagaland and Uttar Pradesh Unit, alternate raw materials for production of paper, local issues hindering the supply of bamboo, shifting of headquarters, employees problems, quality management, disinvestment, etc. Besides, the Chairperson directed him to suggest points to resolve the problems encircling the Company. To all the issues on which information was not readily available, The representative was asked to send written reply.

(The witness then withdrew).

A verbatim record of the proceedings has been kept separately.
The Committee then adjourned.

COMMITTEE ON PUBLIC UNDERTAKINGS
(2017-18)

MINUTES OF THE TWELFTH SITTING OF THE COMMITTEE

The Committee sat on Tuesday, the 14 November, 2017 from 1100 hours to 1200 hours in Committee Room 2, Block A, Parliament House Annexe Extension Building, New Delhi.

PRESENT

Shri Shanta Kumar - Chairperson

MEMBERS

Lok Sabha

26. Shri Lal Krishna Advani
27. Shri Ramesh Bais
28. Shri G. Hari
29. Shri Ajay Nishad
30. Shri B. Vinod Kumar
31. Shri Prahlad Singh Patel
32. Prof. Saugata Roy
33. Shri Rameswar Teli

Rajya Sabha

34. Shri Narendra Budania
35. Shri Tapan Kumar Sen
36. Shri Ram Chandra Prasad Singh

SECRETARIAT

1.	Smt. Anita B. Panda	Director
2.	Shri G.C. Prasad	Deputy Secretary

REPRESENTATIVES OF HINDUSTAN STEELWORKS CONSTRUCTION LIMITED (HSCL)

5.	Shri Moyukh Bhaduri	Chairman & Managing Director
6.	Shri M.K. Ray	Advisor

2. At the outset, the Chairperson welcomed the members to the sitting of the Committee and apprised them about the agenda for the day's sitting viz. the consideration of the draft Action Taken Report on the observations/recommendations contained in the Fifteenth report of the Committee (2016-17) on "Indian Railways Catering and Tourism Corporation" followed by oral evidence of the representatives of Hindustan Steelworks Construction Limited (HSCL) on the subject "Review of Loss Making CPSUs". Then the Chairperson invited suggestions from the members of the Committee on the draft Action Taken Report. After some deliberations, the Committee adopted the report with some modifications to recommendations at Sl. No. 10 and 13 of the draft Report as given at Annexure. The Committee then authorized the Chairperson to finalize the aforesaid draft Action Taken Report on the basis of factual verification by Ministry/Department concerned and present the same to Parliament.

[The witnesses were then called in]

3. The Committee then invited the representatives of Hindustan Steelworks Construction Limited (HSCL) to brief the Committee in connection with its examination of the subject "Review of loss making CPSUs".

4. The Hon'ble Chairperson welcomed the representatives of HSCL to the Sitting and drew their attention to Direction 55(1) of the 'Directions of the Speaker' regarding confidentiality of evidence tendered before the Parliamentary Committees.

5. The representatives of HSCL then made a power-point presentation on the functioning and performance of HSCL. In the presentation, the representatives elaborated upon various aspects of the HSCL which *inter alia* included its mandate, diversification, financial restructuring, take over by NBCC, performance, human reserves and taking the initiative in increasing the usage of steel etc. After the presentation, the Chairperson and Members of the Committee raised queries on a wide range of issues, particularly deviation from its mandate, reasons of loss, Company's position after take over by NBCC, contribution of HSCL, discharge of social responsibility, operational decisions, the date of completion of some incomplete projects, maintenance works carried out by the Company, VRS, manpower profile, participation in private sector etc. for which the representatives responded. In respect of points for which information was not readily available with them, the Chairperson directed that written replies may be furnished within fifteen days.

(The witnesses then withdrew).

A verbatim record of the proceedings has been kept separately.

The Committee then adjourned.

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ANNEXURE

(See para 2 of the Minutes dated 14.11.2017)

S.No.	Page No.	Recommendation Para	Modifications
1.	4	10 (Second Para)	Add the following in Line 5 from above after the words "of perennial work" *'They are of the view that outsourcing of these works is violative of the current labour laws.*
2.	6	13	Add the following in line 13 from above after the words "The Committee" *'Feel that it was a wastage of time and funds as these agencies must have charged substantially. Hence, the Committee'*

COMMITTEE ON PUBLIC UNDERTAKINGS
(2017-18)

MINUTES OF THE THIRTEENTH SITTING OF THE COMMITTEE

The Committee sat on Wednesday, the 15 November, 2017 from 1100 hours to 1220 hours in Committee Room 3, Block A, Parliament House Annexe Extension Building, New Delhi.

PRESENT

Shri Shanta Kumar - Chairperson

MEMBERS

Lok Sabha

37. Shri Lal Krishna Advani
38. Shri Ramesh Bais
39. Shri Rabindra Kumar Jena
40. Shri Kristappa Nimmala
41. Shri Ajay Nishad
42. Shri Prahlad Singh Patel
43. Prof. Saugata Roy
44. Adv. Narendra Keshav Sawaikar
45. Shri Ravneet Singh
46. Shri Rameswar Teli

Rajya Sabha

47. Shri Narendra Budania
48. Shri Naresh Gujral
49. Shri Tapan Kumar Sen

SECRETARIAT

1.	Smt. Sudesh Luthra	Additional Secretary
2.	Smt. Anita B. Panda	Director
3.	Shri G.C. Prasad	Deputy Secretary

REPRESENTATIVES OF SECURITY PRINTING & MINTING CORPORATION OF INDIA LIMITED (SPMCIL)

7.	Shri Anurag Agarwal	Chairman & Managing Director
8.	Shri Sanjay Maheshwari	Chief Financial Officer

2. At the outset, the Hon'ble Chairperson welcomed the members and the representatives of the Security Printing & Minting Corporation of India Limited (SPMCIL) to the sitting of the Committee convened to take evidence SPMCIL in connection with examination of the subject "Review of Loss making CPSUs". Thereafter, he drew their attention to Direction 55(1) of the 'Directions by the Speaker' regarding confidentiality of evidence tendered before the Parliamentary Committees.

3. The representatives of SPMCIL then briefed the Committee on the product profile of the Company and cited the main reason for the loss suffered by the Corporation as the revision of selling price of circulating coins and postal items with retrospective effect (2008-09) and price adjustment made from the Financial Year 2008-09 to 2012-13 in the accounts of the Financial Year 2014-15.

4. Thereafter, members raised several queries on a wide range of issues such as a production profile of the Company being order-driven and not demand-driven, vacant post of a full-time CMD, price revision of items produced by the Company, production coming down despite induction of new technology, reduction in the number of employees, progress made towards self-reliance in paper and ink used for printing of

currency notes and security papers, security concerns such as seizure of fake currency notes, security features in coins and currencies and measures needed to bridge the gap between demand and supply of coins in the Country. Further, queries were raised on the Corporation's installed capacity and capacity utilization, reduction of import cost, strategy to market products of the Corporation in other Countries, future plans of the Corporation, etc.

5. The representatives of the Security Printing & Minting Corporation of India Limited (SPMCIL) responded to some of the queries and in respect of points for which information was not readily available with them, the Chairperson directed that written replies may be furnished within fifteen days of the sitting.

(The witnesses then withdrew).
A verbatim record of the proceedings has been kept separately.

The Committee then adjourned.

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COMMITTEE ON PUBLIC UNDERTAKINGS
(2017-18)

MINUTES OF THE FOURTEENTH SITTING OF THE COMMITTEE

The Committee sat on Tuesday, the 28th November, 2017 from 1110 hrs. to 1312 hrs. in Committee Room '2', Block A, Parliament House Annexe Extension Building, New Delhi.

PRESENT

Shri Shanta Kumar - Chairperson

MEMBERS

Lok Sabha

2. Shri Lal Krishna Advani
3. Shri Ramesh Bais
4. Shri Rabindra Kumar Jena
5. Dr. Hari Babu Kambhampati
6. Shri B. Vinod Kumar
7. Shri Prahlad Singh Patel
8. Adv. Narendra Keshav Sawaikar
9. Shri Rameshwar Teli

Rajya Sabha

10. Shri Samsher Singh Manhas
11. Shri Tapan Kumar Sen

SECRETARIAT

1.	Smt. Sudesh Luthra	-	Additional Secretary
2.	Smt. Anita B. Panda	-	Director
3.	Shri G. C. Prasad	-	Deputy Secretary

REPRESENTATIVES OF STEEL AUTHORITY OF INDIA LIMITED (SAIL)

1.	Shri P. K. Singh	-	Chairman
2.	Shri Anil Chaudhary	-	Director (Finance)
3.	Shri Raman	-	Director (Technical)
4.	Shri G. Vishwakarma	-	Director (Projects & BP)
5.	Shri Kalyan Maity	-	Director (Raw Mat.)
6.	Ms. Soma Mondal	-	Director (Commercial)

At the outset, the Hon'ble Chairperson welcomed the Members and the representatives of Steel Authority of India Limited (SAIL) to the sitting of the Committee and apprised them about the agenda for the day's sitting. He then drew their attention to the provision contained in Direction 55(1) of 'Directions by the Speaker' regarding confidentiality of proceedings of the Parliamentary Committees.

2. Thereafter, the representatives of SAIL made a power-point presentation and briefly outlined the performance of SAIL and its subsidiaries during the last ten years. They also highlighted the shareholding pattern, paid-up capital, composition of the Board, market share, financial and financial performance, labour productivity, net sales turnover, initiation of new projects, achievements under CSR, the Company's future plans, etc.

3. The Chairperson and Members then raised queries about the major reasons for decline in performance of SAIL, for losses even when SAIL exported products worth Rs. 32,000 Crore, for decline in market share from 25 percent to 15.5 percent, for Railways, (principal customer of SAIL) going for a global tender, for employees cost being highest in the country, rationale for import of coal despite its abundant availability in India, reasons for only the Bhilai Steel Plant showing profit, etc. The members also sought the details of the Company's total borrowings from the Government Banks, total losses of the Company, roadmap for achieving the target of producing 300 million tonnes by 2030, rationale behind SAIL not harnessing its captive strength, status of the 79 villages that were adopted by SAIL for development as model steel villages, the quantum of further financial support required by the Company from the Government, use of better technology/facility for transport of coal, the purpose of having Joint Ventures, etc.

4. The members raised further queries on environmental issues, availability of cheap iron ore, import of coking coal, affect of anti- dumping duties, present per-capita consumption of steel in India, utilisation of installed capacity and production capacity, synergy in marketing strategies across India, status of setting-up of new steel plant at Kadapa, present debt-equity ratio, use of washeries technology, status of implementation of recommendations of Consultancy Studies, achievements made in CSR activities, etc. The representatives of SAIL responded to some of the queries and in respect of points for which information was not readily available, the Chairperson directed that written replies may be furnished to the Secretariat within fifteen days.

(The witnesses then withdrew).

A verbatim record of the proceedings has been kept separately.

The Committee then adjourned.

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<u>COMMITTEE ON PUBLIC UNDERTAKINGS</u>
(2017-18)

MINUTES OF THE FIFTEENTH SITTING OF THE COMMITTEE

The Committee sat on Wednesday, the 29th November, 2017 from 1100 hrs. to 1215 hrs. in Committee Room '2', Block A, Parliament House Annexe Extension Building, New Delhi.

PRESENT

Shri Shanta Kumar - Chairperson

MEMBERS

Lok Sabha

2. Shri Lal Krishna Advani
3. Shri Ramesh Bais
4. Shri G. Hari
5. Shri Kristappa Nimmala
6. Shri Ajay Nishad
7. Shri B. Vinod Kumar
8. Shri Prahlad Singh Patel
9. Prof. Saugata Roy
10. Shri Rameshwar Teli

Rajya Sabha

11. Shri Samsher Singh Manhas
12. Shri Naresh Gujral
13. Shri Tapan Kumar Sen

SECRETARIAT

1.	Smt. Sudesh Luthra	-	Addl. Secretary
2.	Smt. Anita B. Panda	-	Director
3.	Shri G. C. Prasad	-	Deputy Secretary

REPRESENTATIVES OF HMT LIMITED

1.	Shri Girish Kumar	-	CMD
2.	Shri G. Krishna Murthy	-	GM (CS)
3.	Shri A. K. Sharma	-	Joint GM (L)

At the outset, the Hon’ble Chairperson welcomed the Members and the representatives of the HMT Ltd. to the sitting of the Committee and apprised them about the agenda for the day's sitting. He then drew their attention to the provision contained in Direction 55(1) of 'Directions by the Speaker' regarding confidentiality of proceedings of the Parliamentary Committees.

2. Thereafter, the representatives of HMT Limited made a powerpoint presentation and briefly outlined the performance of the Company and its subsidiaries during the last three decades. They also highlighted the present set up of the Company, performance of each unit of the Company, causes for various units to go under loss, major private players of the market, social turbulence in certain regions affecting the performance, sale of assets, merger/closure of various units of the Company, turnaround plan made during the year 2000, etc.

3. The Chairperson and Members then raised queries about the reasons for suffering huge losses while private companies in the same sector are making profit, fall in market share, venturing into defence and nuclear power sector, not utilizing the expertise in core areas etc. The Members also enquired about the details of the present operational profit of each unit of the Company, the measures taken to counter the rising cost of production, stiff competition, flow of imported goods, impact of liberalization of economy, etc., the quantum of support received so far from the Government, earnings through auction of machinery, measures taken for maintenance of the quality of the products of the Company, impact of technology on the performance of the Company, utilization of manpower, creation of employment opportunities, non-availability of working capital, auction of machinery through MSTC, monetization of assets of the Company, implementation of the decision on closure of various units of the Company, status of revival package vetted by IIT-Chennai and IIM, etc.

4. The representatives of HMT Limited responded to some of the queries and in respect of points for which information was not readily available, the Chairperson directed that written replies may be furnished within fifteen days.

(The witnesses then withdrew).

A verbatim record of the proceedings has been kept separately.

The Committee then adjourned.

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ANNEXURE

Subjects for examination during the year 2017-18

Comprehensive Examination

1. Bharat Broadband Network Limited
2. National Highways Authority of India
3. Air India Limited
4. Airports Authority of India
5. Industrial Finance Corporation of India Ltd (IFCI)
6. Export Credit Guarantee Corporation of India (E.C.G.C)
7. National Small Industries Corporation Ltd. (NSIC)
8. National Film Development Corporation Limited
9. National Minorities Development and Finance Corporation
10. National Buildings Construction Corporation (India) Limited
11. Bharat Sanchar Nigam Limited (BSNL) including Chapter V of Audit Report No. 29 of 2016, Union Government (Communications and IT) for the year ended March, 2015

Horizontal Study

12. Corporate Governance in CPSUs
13. Review of loss-making CPSUs
14. Green Initiatives taken by PSUs/Role of CPSUs in safeguarding environment in India.
15. Defence PSUs in the shipbuilding sector (viz. Mazagon Docks Ltd., Goa Shipyard Ltd., Hindustan Shipyard Ltd. and Garden Reach Shipbuilders and Engineers Ltd)
16. Role and performance of pharmaceutical CPSUs with special reference to generic medicines.
17. Action taken/compliance on the audit Reports from the year 2010 to 2015

Audit Based

18. Capacity utilization, Electricity Generation, Sale and collection of revenue including disaster management by Hydro Power CPSEs (NHPC Limited, SJVN Limited, THDC India Limited and NHDC Limited) [Based on C&AG Performance Audit Report No. 41 of 2015]

19. Financing of Renewable Energy Projects by Indian Renewable Energy Development Agency Limited (Based on Performance Audit Report No. 12 of 2015)

20. Fuel Management of Coal based Power Stations of NTPC Ltd. (Based on Performance Audit Report No. 35 of 2016)

21. Crude Oil Production Measurement and Reporting System in ONGC [Based on Compliance Audit Report no. 21 of 2016; (Union Government Commercial)]

<u>COMMITTEE ON PUBLIC UNDERTAKINGS</u>
(2017-18)

MINUTES OF THE SIXTEENTH SITTING OF THE COMMITTEE

The Committee sat on Thursday, the 7 December, 2017 from 1100 hours to 1240 hours in Committee Room '3', Block A, Parliament House Annexe Extension Building, New Delhi.

PRESENT

Shri Shanta Kumar - Chairperson

MEMBERS

Lok Sabha

50. Shri Lal Krishna Advani
51. Shri G. Hari
52. Shri Ajay Nishad
53. Shri Prahlad Singh Patel
54. Prof. Saugata Roy
55. Shri Sushil Kumar Singh
56. Shri Rameswar Teli

Rajya Sabha

57. Shri Shamsher Singh Manhas
58. Shri Naresh Gujral
59. Shri Tapan Kumar Sen

SECRETARIAT

1.	Smt. Sudesh Luthra	Additional Secretary
2.	Smt. Anita B. Panda	Director
3.	Shri G.C. Prasad	Deputy Secretary

REPRESENTATIVES OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES (DEPARTMENT OF HEAVY INDUSTRIES)

9.	Dr. Asha Ram Sihag	Secretary
10.	Shri Subhash Chandra Pandey	AS & FA
11.	Shri Nyshadham Sivanand	Joint Secretary
12.	Shri Bhaskar Jyoti Mahanta	Joint Secretary
13.	Shri A.K. Panda	Economic Advisor
14.	Shri M.P. Eshwar	CMD, IL
15.	Shri S. Girish Kumar	CMD, HMT Limited
16.	Shri Shashi Kanth Jain	CMD, HPC
17.	Shri Avijit Ghosh	CMD, HEC

2. At the outset, the Hon'ble Chairperson welcomed the Members and the representatives of the Ministry of Heavy Industries and public Enterprises (Department of Heavy Industries) and the respective CMDs of Hindustan Paper Corporation (HPC) Limited, HMT Ltd., Instrumentation Limited (IL) and Hindustan Engineering Corporation (HEC) Limited to the sitting of the Committee and apprised them about the agenda. He also drew their attention to the provision contained in Direction 55(1) of 'Directions by the Speaker' regarding confidentiality of proceedings of the Parliamentary Committees.

3. Thereafter, the representatives of the Department of Heavy Industry (DHI) made a power point presentation with regard to the financial performance of the CPSUs under the Department. They informed that out of thirty-one CPSUs, eight CPSUs are under closure. Out of the remaining twenty-three operational CPSUs, ten are under profit and thirteen CPSUs are running under loss. Six CPSUs are under the process of Disinvestment. The representatives then briefed the Committee on various issues such as the role of the two departments viz. DHI and DPE, negative impact of liberalisation on Indian Industries, shortage of working capital, decisions by the CPSUs, restructuring of the CPSUs, lack of professionalism on the part of DHI in taking decisions, loss of the CPSUs due to economic liberalization, lack of Government support for competing in market, lack of continuous modernization, excess manpower in CPSUs, need for support to continue industrial activity in North-East region, lack of salary

support to some CPSUs required for survival, regular interaction of DHI with NITI Aayog and DIPAM, etc.

4. Thereafter, members desired clarifications on various issues such as total loss made by the CPSUs under DHI *vis-a-vis* the total investment made on the CPSUs by the Government, need for modernisation & technology upgradation, need for CPSUs only in strategic and core sectors, the purpose for Disinvesting CPSUs that are profit making, reasons for paper based CPSUs going under losses especially when flowering of bamboo is not a recurring phenomenon, parameters to measure the return on investment, compensation to employees, addressing unemployment issues, gap between initiating the process of reorganization/restructuring and the time taken in decision making and implementation, etc. The representatives of DHI responded to some of the queries and in respect of points for which information was not readily available, the Chairperson directed that written replies may be furnished to the Secretariat within fifteen days.

(The witnesses then withdrew).

A verbatim record of the proceedings has been kept separately.

The Committee then adjourned.

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<u>COMMITTEE ON PUBLIC UNDERTAKINGS</u>
(2017-18)

MINUTES OF THE SEVENTEENTH SITTING OF THE COMMITTEE

The Committee sat on Friday, the 8th December, 2017 from 1108 hrs. to 1240 hrs. in Committee Room '2', Block A, Parliament House Annexe Extension Building, New Delhi.

PRESENT

Shri Shanta Kumar - Chairperson

MEMBERS

Lok Sabha

2. Shri Lal Krishna Advani
3. Shri Kristappa Nimmala
4. Shri Ajay Nishad
5. Adv. Narendra Keshav Sawaikar
6. Shri Sushil Kumar Singh

Rajya Sabha

7. Shri Narendra Budania
8. Shri Shamsher Singh Manhas
9. Shri Naresh Gujral
10. Shri Tapan Kumar Sen

SECRETARIAT

1.	Smt. Anita B. Panda	-	Director
2.	Shri G.C. Prasad	-	Deputy Secretary
3.	Smt. Mriganka Achal	-	Under Secretary

REPRESENTATIVES OF MINISTRY OF COMMUNICATIONS (DEPARTMENT OF TELECOMMUNICATIONS)

1.	Ms. Aruna Sundararajan	-	Secretary
2.	Ms. Anuradha Mitra	-	Member
3.	Shri P. K. Purwar	-	CMD, MTNL
4.	Shri Anupam Srivastava	-	CMD, BSNL

At the outset, the Hon'ble Chairperson welcomed the Members and the representatives of the Ministry of Communications (Department of Telecommunications) and the respective

CMDs of BSNL and MTNL, both loss making PSUs under the Department, to the sitting of the Committee and apprised them about the agenda for the day's sitting.

2. The representatives of BSNL and MTNL then briefed the Committee about the functioning and performance of the respective Companies. They also elaborated on the steps taken by the Department to address factors leading to huge losses to these PSUs. The Secretary, also elaborated about the future action plan of the Ministry and the steps taken specifically by them in respect of these companies, for instance, utilization of large employee base, further investments in spectrum and optical fibre networks, connectivity to inaccessible areas like LWE affected States, North-Eastern States and Andaman & Nicobar Islands etc., monetization of mobile tower, assets and land of the PSUs, Central Equipment Identity Register, improvement in complaint mechanism, strengthening of state level Telecom Enforcement and Regulation Monitoring (TERM) cells etc.

3. Thereafter, Members raised queries mainly pertaining to issues like quality of services, social responsibility, operation in rural and remote areas, tariff war, availability of Universal Service obligation Fund (USOF), declining wire-line connections, availability of equipment etc. The representatives responded to some of the queries. In respect of points for which information was not readily available, the Chairperson directed that written replies may be furnished within fifteen days.

(The witnesses then withdrew).

A verbatim record of the proceedings has been kept separately.

The Committee then adjourned.

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COMMITTEE ON PUBLIC UNDERTAKINGS

(2017-18)

MINUTES OF THE EIGHTEENTH SITTING OF THE COMMITTEE

The Committee sat on Wednesday, the 24 January, 2018 from 1105 hours to 1320 hours in Committee Room No. 3, Block A, Parliament House Annexe Extension Building, New Delhi.

PRESENT

Shri Shanta Kumar - Chairperson

MEMBERS

Lok Sabha

60. Shri Lal Krishna Advani
61. Shri G. Hari
62. Dr. Hari Babu Kambhampati
63. Shri Kristappa Nimmala
64. Shri Ajay Nishad
65. Shri Prahlad Singh Patel
66. Prof. Saugata Roy
67. Shri Rameswar Teli

Rajya Sabha

68. Shri Shamsher Singh Manhas
69. Shri Naresh Gujral

SECRETARIAT

1.	Smt. Sudesh Luthra	Additional Secretary
2.	Smt. Anita B. Panda	Director
3.	Shri G.C. Prasad	Deputy Secretary

REPRESENTATIVES OF C&AG

18.	Shri Ranjan Kumar Ghose	Deputy CAG
19.	Shri Manoj Sahay	Principal Director (AB)

REPRESENTATIVES OF DEPARTMENT OF FERTILIZERS

20.	Ms. Bharathi Sivaswami Sihag	Secretary
21.	Shri Dharam Pal	Additional Secretary
22.	Shri S.K. Lohani	Joint Secretary (Fertilizer) and CMD (FACT)
23.	Shri A.B. Khare	CMD (MFL)

REPRESENTATIVES OF DEPARTMENT OF PHARMACEUTICALS

24.	Shri Jai Priye Prakash	Secretary
25.	Ms. Meenakshi Gupta	Additional Secretary & FA

2. At the outset, the Chairperson welcomed the members to the sitting of the Committee and informed them about the three agenda items i.e. (i) adoption of the draft report on the on the subject 'Financing of Renewable Energy Projects by Indian Renewable Energy development Agency Limited (Based on Performance Audit Report No. 12 of 2015) (ii) Oral evidence of the representatives of Ministry of Chemicals and Fertilizers (Department of Fertilizers) in connection with examination of the subject "Review of Loss Making CPSUs" with specific reference to Fertilizers & Chemicals Travancore Limited (FACT) and (iii) Oral evidence of the representatives of Ministry of Chemicals and Fertilizers (Department of Pharmaceuticals) in connection with examination of the subject "Review of Loss Making CPSUs" with specific reference to Hindustan Antibiotics Limited (HAL).

3. The Committee then took up for consideration the draft report on the subject 'Financing of Renewable Energy Projects by Indian Renewable Energy development Agency Limited

(Based on Performance Audit Report No. 12 of 2015). The Committee adopted the draft report without any changes/modifications. The Committee then authorized the Chairperson to finalize the aforesaid Report on the basis of factual verification by Ministries/Departments concerned and present the same to Parliament during the oncoming Budget Session.

[The representatives of Ministry of Chemicals and Fertilizers (Department of Fertilizers) were ushered in]

4. The Hon'ble Chairperson welcomed the representatives of Ministry of Chemicals and Fertilizers, (Department of Fertilizers) and brought to their notice the provision contained in Direction 55(1) of "Directions by the Speaker" regarding confidentiality of proceedings of the Parliamentary Committees.

5. Thereafter, the representatives of Department of Fertilizers informed the Committee that out of the eight CPSUs under the Department of Fertilizers, three CPSUs, viz the Fertilisers and Chemicals Travancore Limited (FACT), Project and Development India Limited (PDIL) and Madras Fertilizers Limited (MFL) are loss making CPSUs. The officials of PDIL then made a power point presentation with regard to financial position of the Company in brief highlighting the loss of the Company since 2014-15 which were mainly due to low bookings of orders, lack of major projects in Fertilizer sector, shortage of manpower, stiff competition in Oil and Refinery sectors, low catalyst sale and low execution of projects that led to low revenue generation of the Company. They also informed the Committee that PDIL has earned profits since Financial Year 2003-04 till Financial Year 2013-14 after revival package plan in 2003. PDIL started making losses since the Financial Year 2014-15 and is under process of Strategic Disinvestment.

6. Thereafter, the representatives of FACT made a power point presentation and briefed the Committee about the major reasons of losses viz. high cost of Naphtha in the absence of

gas, policy related issues like decontrol of Ammonium sulphate (1994 to 2008), non recognition of sulphur as nutrient under fixed MRP regime, (till 2008), restriction of import of ammonia storage at Cochin Port., debt trap and interest burden of the Company etc. The need for financial restructuring was stressed so as to help the Company achieve its revival plan.

7. Thereafter, the representatives of MFL gave a brief presentation which included issues such as reasons for the loss of the Company mainly due to change in Government policy on urea and complex fertilizers, details of financial and non-financial support provided by the Government, constraints faced by the Company, roadmap for revival of the Company etc. The representatives also highlighted on the proposed financial restructuring for the revival of the Company which is pending with various Ministries.

8. After the Power-point presentation, the members of the Committee sought clarifications on various issues highlighted in the presentation. The representatives of the Department of fertilizers and the officials of PDIL, FACT and MFL responded in detail to the queries made by the members. The main issues raised were whether any study has been conducted to find out reasons for these profit-making PSUs becoming loss-making units and the remedial action taken in the last 4-5 years to bring the Companies under profit, mismanagement and corruption issues in PSUs, presence of any holistic fertilizer policy and use of organic fertilizer being included in the roadmap of the Ministry especially when there is stress on less use of fertilizers/chemicals, etc.

(The witnesses then withdrew).

[The representatives of Ministry of Chemicals and Fertilizers (Department of Pharmaceuticals) were then called in.]

9. The Hon'ble Chairperson welcomed the representatives of Ministry of Chemicals and Fertilizers, (Department of Pharmaceuticals) and brought to their notice the provision contained in Direction 55(1) of "Directions by the Speaker" regarding confidentiality of proceedings of the Parliamentary Committees .

10. Thereafter, the representatives of Department of Pharmaceuticals briefed the Committee on broad areas of the functioning of the Department. The Secretary informed the Committee that out of the five CPSUs under the Department of Pharmaceuticals, four Companies viz. Indian Drugs and Pharmaceuticals Limited (IDPL), Bengal Chemicals & Fertilizers Pharmaceuticals Ltd. (BPCL), Hindustan Antibiotics Ltd. (HAL) and Rajasthan Drugs & Pharmaceuticals Ltd. (RDPL) are loss making CPSUs and explained in brief the financial position of the four loss-making CPSUs. The highlights of the presentation included issues concerning Chinese import of critical drugs in India, reasons for loss of the Companies, lack of Government support with regard to policy making, IDPL, despite being the mother of pharma industry and having patent of many drugs, going severely under losses, etc.

11. Thereafter, members raised several questions on issues related to absence of permanent CMD in some Companies under the department, impact of Chinese imports on India's industry and policy adopted by the Government to compete with cheap Chinese imports of critical drugs, etc. Other issues raised were reason for private Companies doing well in the sector but the Government CPSUs not making profit while manufacturing the same products, Government retaining the production of critical drugs such as oxytocin, disinvestment of profit making Companies etc. The members also stressed upon the role of the Government now to serve as a regulator rather than a manufacturer in pharma sector.

(The witnesses then withdrew).
A verbatim record of the proceedings has been kept separately.
The Committee then adjourned.
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COMMITTEE ON PUBLIC UNDERTAKINGS

(2017-18)

MINUTES OF THE NINETEENTH SITTING OF THE COMMITTEE

The Committee sat on Wednesday, the 21 February, 2018 from 1100 hours to 1230 hours in Committee Room 'E', Basement, Parliament House Annexe, New Delhi.

PRESENT

Shri Shanta Kumar - Chairperson

MEMBERS

Lok Sabha

70. Shri Lal Krishna Advani
71. Shri G. Hari
72. Shri Rabindra Kumar Jena
73. Shri Kristappa Nimmala
74. Shri Prahlad Singh Patel
75. Prof. Saugata Roy
76. Shri Sushil Kumar Singh
77. Shri Rameswar Teli

Rajya Sabha

10. Shri Narendra Budania
11. Shri Shamsher Singh Manhas
12. Shri Naresh Gujral
13. Shri Praful Patel
14. Shri Tapan Kumar Sen

SECRETARIAT

1.	Smt. Sudesh Luthra	Additional Secretary
2.	Smt. Anita B. Panda	Director
3.	Shri G.C. Prasad	Deputy Secretary

REPRESENTATIVES OF CONFEDERATION OF INDIAN INDUSTRY (CII)

26.	Shri Anoop Kumar Mittal	CMD, NBCC and Member, PSE Council of CII
27.	Ms. Nita Karmakar	Senior Director, CII

2. At the outset, the Chairperson welcomed the Members and representatives of Confederation of Indian Industry (CII) to the sitting of the Committee which was convened to take oral evidence of CII in connection with the examination of the subject "Review of Loss Making CPSUs and also brought to their notice the provision contained in Direction 55(1) of "Directions by the Speaker" regarding confidentiality of proceedings of the Parliamentary Committees.

3. Thereafter, the representatives of CII briefed the Committee about their suggestions to the Government on 74 loss making CPSUs which were mainly focused on strategic sale, merger of sick CPSUs or non-performing CPSUs, disinvestment of Air India and the need to retain the core business of sick CPSUs instead of diversification.

4. Then, Hon'ble Chairperson and Members raised various queries on the subject which inter-alia included nature of the recommendations proposed by NITI Aayog on the 74 Loss Making CPSUs and points on which CII differs/concurs with them, need to bring change in basic policy regulation in regard to CPSUs, performance of public and private sector Companies in pharmaceutical sector and determination of sickness of a CPSU based on return on investment or return on equity. Other issues which were discussed included viability of a Land Bank Corporation to manage asset sale of sick CPSUs, role of CII as an adviser on sick CPSUs to the Government, turnaround of NBCC from loss making to profit making company, reasons for industrial development not picking pace in North-Eastern States, formation of CPSU holding company and role of NBCC in monetizing the assets of loss making CPSUs.

5. Thereafter, the representatives of CII responded to certain queries in detail. On the queries on which replies were not readily available, the Chairman directed CII to submit the same within fifteen days to the Committee Secretariat.

(The witnesses then withdrew).

A verbatim record of the proceedings has been kept separately.

The Committee then adjourned.

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COMMITTEE ON PUBLIC UNDERTAKINGS

(2017-18)

MINUTES OF THE TWENTIETH SITTING OF THE COMMITTEE

The Committee sat on Thursday, the 22 February, 2018 from 1100 hours to 1150 hours in Committee Room 'E', Basement, Parliament House Annexe , New Delhi.

PRESENT

Shri Shanta Kumar - Chairperson

MEMBERS

Lok Sabha

2. Shri Ramesh Bais
3. Shri Ajay Nishad
4. Shri Prahlad Singh Patel
5. Prof. Saugata Roy
6. Adv. Narendra Keshav Sawaikar
7. Shri Rameshwar Teli

Rajya Sabha

8. Shri Narendra Budania
9. Shri Naresh Gujral
10. Shri Tapan Kumar Sen

SECRETARIAT

1.	Smt. Sudesh Luthra	Additional Secretary
2.	Shri G. C. Prasad	Deputy Secretary
3.	Smt. Mriganka Achal	Under Secretary

REPRESENTATIVE OF NATIONAL INSTITUTE OF PUBLIC FINANCE & POLICY (NIPFP)

1.	Shri Suyash Rai	Consultant

2. At the outset, the Chairperson welcomed the Members and the representative of National Institute of Public Finance and Policy (NIPFP) to the sitting of the Committee convened to have expert views of NIPFP in connection with the examination of the subject “Review of Loss Making CPSUs. The Chairperson also brought to their notice the provision contained in Direction 55(1) of "Directions by the Speaker" regarding confidentiality of proceedings of the Parliamentary Committees.

3. Thereafter, the representative of NIPFP made a presentation before the Committee on the relevance of revival packages being given to the loss making CPSUs, prioritization of the CPSUs as per their functions/performance, classification of CPSUs into high and low priority categories, issues concerning strategic disinvestment, privatization or closure of loss making CPSUs and viability of private sector in defence production/strategic areas.

4. Hon’ble Chairperson and Members thereafter raised various queries on various issues related to the subject which *inter-alia* included performance and review of functioning of PSUs in the changing scenario, issues related to revival packages given by the Government to loss making CPSUs, listing of loss making CPSUs, basis of prioritization/classification of the CPSUs done by NIPFP, and valuation of Public/Private Companies based on market capitalization. The Committee also enquired about the role of NIPFP as an advisor and their research support to NITI Aayog, which was explained by their representative.

5. Thereafter, the queries of the Committee were responded to by the representative of NIPFP. With regard to the queries on which replies were not readily available, the Chairman asked him to submit the same within fifteen days to the Committee Secretariat.

(The witness then withdrew).

[A verbatim record of the proceedings has been kept separately.]

The Committee then adjourned.

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COMMITTEE ON PUBLIC UNDERTAKINGS

(2018-19)

MINUTES OF THE FIFTH SITTING OF THE COMMITTEE

The Committee sat on Wednesday, the 13 June, 2018 from 1100 hours to 1140 hours in Committee Room B, Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Shanta Kumar - Chairperson

MEMBERS

Lok Sabha

2. Shri Lal Krishna Advani
3. Shri Nagendra Kumar Pradhan
4. Dr. Hari Babu Kambhampati
5. Shri Ajay Nishad
6. Prof. Saugata Roy
7. Adv. Narendra Keshav Sawaikar
8. Shri Rameswar Teli

Rajya Sabha

9. Shri Pratap Keshari Deb
10. Shri Shamsher Singh Manhas
11. Shri Naresh Gujral
12. Shri Mohd. Ali Khan
13. Shri A.K. Selvaraj
14. Shri Ram Vichar Netam

SECRETARIAT

1.	Smt. Sudesh Luthra	Additional Secretary
2.	Shri G.C. Prasad	Deputy Secretary

REPRESENTATIVES OF THE NITI AAYOG

1.	Shri Yaduvendra Mathur	Additional Secretary
2.	Shri Sudhir Kumar	Joint Advisor (Industry Division)
3.	Shri Abhishek Mukherjee	Economic Officer (Industry Division)

2. At the outset, the Hon'ble Chairperson welcomed the Members and representatives of NITI Aayog to the sitting of the Committee convened in connection with examination of the subject 'Review of loss making CPSUs'. He then drew their attention to Direction 55 (1) of the 'Directions by the Speaker' regarding confidentiality of evidence before the Parliamentary Committees.

3. The Chairperson, apprised the Members that on a request made by CEO, NITI Aayog, he has been exempted from appearing before the Committee on account of a pre-scheduled meeting attended by Chief Secretaries of States and various Secretaries. The Additional Secretary and OSD would be representing NITI Aayog during today's meeting.

4. The Additional Secretary, NITI Aayog, then briefed the Committee that as per the mandate of the Aayog as a think-tank and a recommendatory body, a Committee was constituted by the Aayog in 2016 under the Chairmanship of Vice Chairperson, NITI Aayog to identify the CPSEs for strategic disinvestment; to advise the Government on mode of sale and percentage of shares to be sold; and to suggest methods for valuation of the CPSE.

5. The members of the Committee, took strong objection to the manner in which the replies to the list of points were furnished to the Committee, whereby to most of the questions, NITI Aayog had either not responded, the information being market sensitive and not available in public domain, or furnished a vague response / shifted responsibility to DPE. Not only that, the representatives of NITI Aayog could not convince the Committee for not furnishing the detailed response to the issues raised by the Committee in the List of Points particularly when the name of CPSEs recommended by NITI Aayog for disinvestment and CPSEs on which Government has given in-principle approval for strategic disinvestment as well as status of each of the 79 loss making CPSUs was given by DIPAM / DPE and some of the matters were being reported by media. The Committee therefore, desired that fresh replies to the queries raised in the list of points and during the course of deliberations be sent to the Committee and the CEO, NITI Aayog be present at the next sitting to discuss on such an important subject concerning the country.

The Committee then adjourned.

COMMITTEE ON PUBLIC UNDERTAKINGS
(2018-2019)

MINUTES OF THE SIXTH SITTING OF THE COMMITTEE

The Committee sat on Friday, the 29th June 2018 from 1100 hrs to 1115 hrs in Committee Room '2', Block A, Parliament House Annexe Extension Building, New Delhi.

PRESENT

Shri Ramesh Bais - ***(in the chair)***

MEMBERS

Lok Sabha

2. Shri G. Hari
3. Shri Nagendra Kumar Pradhan
4. Shri Hari Babu Kambhampati
5. Shri Ajay Nishad
6. Shri B. Vinod Kumar
7. Shri Prahlad Singh Patel
8. Adv. Narendra Keshav Sawaikar
9. Shri Rameswar Teli

Rajya Sabha

10. Shri Shamsher Singh Manhas

SECRETARIAT

1.	Smt. Sudesh Luthra	Additional Secretary
2.	Smt. Anita B. Panda	Director
3.	Shri G. C. Prasad	Deputy Secretary

In the absence of the Hon'ble Chairperson, the Committee chose Shri Ramesh Bais, a Member of the Committee, to chair the Sitting in terms of rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha. The acting Chairperson welcomed the Members to the Sitting of the Committee.

The Committee then briefly deliberated on various important issues that can be taken up with NITI Aayog pertaining to the examination of the subject under consideration which will help the Committee in presenting an objective report to the Parliament on the subject.

The Committee then adjourned.

<u>COMMITTEE ON PUBLIC UNDERTAKINGS</u>
(2018-19)

MINUTES OF THE SEVENTH SITTING OF THE COMMITTEE

The Committee sat on Monday, the 20 August, 2018 from 1100 hours to 1215 hours in Committee Room '3', Block A, Parliament House Annexe Extension Building, New Delhi.

PRESENT

Shri Shanta Kumar - Chairperson

MEMBERS

Lok Sabha

1. Shri Lal Krishna Advani
2. Shri Nagendra Kumar Pradhan
3. Dr. Hari Babu Kambhampati
4. Shri Konakalla Narayana Rao
5. Shri Ajay Nishad
6. Shri Prahlad Singh Patel
7. Prof. Saugata Roy
8. Shri Ravneet Singh
9. Shri Sushil Kumar Singh
10. Shri Rameswar Teli

Rajya Sabha

11. Shri Shamsher Singh Manhas
12. Shri Naresh Gujral
13. Shri C.M. Ramesh

SECRETARIAT

1.	Smt. Sudesh Luthra	Additional Secretary
2.	Shri Anita B. Panda	Director
3.	Shri G.C. Prasad	Deputy Secretary

REPRESENTATIVES OF THE NITI AAYOG

4.	Shri Amitabh Kant	CEO, NITI Aayog
5.	Shri Yaduvendra Mathur	Addl. Secretary
6.	Shri Dhiraj Nayyar	OSD

2. At the outset, the Hon'ble Chairperson welcomed the Members and the representatives of NITI Aayog to the sitting of the Committee convened in connection with examination of the subject 'Review of loss making CPSUs'. He then drew their attention to Direction 55 (1) of the 'Directions by the Speaker' regarding confidentiality of evidence before the Parliamentary Committees.

3. The CEO, NITI Aayog, then briefed the Committee about the role of NITI Aayog as a think –tank and constituting of a Committee in 2016 under the Chairmanship of Vice Chairperson, NITI Aayog to identify the CPSEs for strategic disinvest, to advise the Government on mode of sale and percentage of shares to be sold; and to suggest methods for valuation of the CPSUs.

4. The members then raised queries about the catetgorisation of CPSUs as sick, incipient sick, parameters on which efficiency analysis of CPSUs with their counterparts in the private sectors was based, clarification on the term 'strategic', consultation undergone with various CPSUs/ Ministries before the Committee of NITI Aayog, autonomy issues of CPSUs, continuation of CPSUs that have a legacy and are national assets, reasons for disinvestment of profit making CPSUs, details of CPSUs identified for closure, disinvestment, sale and merger, monetization of assets, etc. The representatives of the NITI Aayog responded to the queries. In respect of points for which information was not readily available with them, the Chairperson directed that written replies may be furnished to the Secretariat at the earliest.

(The witnesses then withdrew)

A verbatim record of the proceedings has been kept separately.

The Committee then adjourned.

COMMITTEE ON PUBLIC UNDERTAKINGS
(2018-19)
MINUTES OF THE TWELFTH SITTING OF THE COMMITTEE

The Committee sat on Tuesday, the 20 November, 2018 from 1115 hours to 1235 hours in Committee Room '2', Block - A, Parliament House Annexe Extension, New Delhi.

PRESENT

Shri Shanta Kumar - Chairperson

MEMBERS

Lok Sabha

1. Shri Lal Krishna Advani
2. Shri Nagendra Kumar Padhan
3. Shri Ajay Nishad
4. Prof. Saugata Roy
5. Adv. Narendra Kumar Sawaikar
6. Shri Sushil Kumar Singh

Rajya Sabha

7. Shri Pratap Keshari Deb
8. Shri Shamsher Singh Manhas
9. Shri Mohd. Ali Khan
10. Shri A. K. Selvaraj
11. Shri C. M. Ramesh

SECRETARIAT

1.	Smt. Sudesh Luthra	Additional Secretary
2.	Shri R. C. Tiwari	Joint Secretary
3.	Shri Khakhai Zou	Additional Director
4.	Shri G.C. Prasad	Deputy Secretary

2. At the outset, the Hon'ble Chairperson welcomed the Members to the sitting of the Committee convened for consideration and adoption of the draft Report on the subject 'Review of loss making CPSUs'. The Committee then considered the draft report and adopted it without any changes/modifications. The Committee thereafter authorized the Chairperson to finalise the report on the basis of factual verification by the concerned Ministry/Department and present the same to Parliament during the forthcoming Winter Session.

The Committee then adjourned.

Annexure-I

OVERALL PERFORMANCE OF CPSUs DURING THE LAST 10 YEARS

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
No. of Operating CPSEs	214	213	217	220	225	230	234	236	244	257
Capital Employed	724,009	792,232	908,007	1,153,833	1,337,821	1,508,177	1,710,453	1,833,274	2,037,318	2,144,924
Total Gross Turnover	1,096,308	1,271,536	1,244,805	1,498,018	1,822,049	1,945,814	2,066,057	1,995,176	1,834,635	1,954,616
Total Net Income/Revenue	1,102,772	1,309,639	1,272,219	1,470,569	1,804,614	1,931,186	2,056,336	1,965,638	1,764,113	1,821,595
Net worth	518,485	583,144	652,993	709,498	776,162	850,921	926,663	962,518	1,079,953	1,107,981
Profit before dep., Impairment, Int, Exc., Items & Taxes (PBDIEET)	195,049	186,836	211,184	216,602	250,654	255,936	289,361	270,400	275,457	297,478
Depreciation, Depletion & Amortization	42,470	44,441	51,168	57,118	63,591	66,109	69,817	77,500	67,764	73,287
DRE/Impairment	5,802	7,661	9,565	187	154	436	851	554	347	(318)
Profit before Int, Exc. Items, Ex, Or. Items & Taxes (PBIEET)	152,579	142,395	160,017	159,298	186,910	189,390	218,693	192,346	207,346	224,509
Interest	32,126	39,300	36,060	26,521	36,152	38,184	51,638	44,942	51,449	47,105
Profit before Exc. Items, Ex.Or. Items & Taxes (PBEET)	120,453	103,095	123,957	132,777	150,758	151,207	167,055	147,412	155,897	177,404
Exceptional Items	-	-	-	(1,479)	3,957	(13,525)	(14,618)	(1,335)	7,766	(3,645)
Profit before Ex.Or. Items & Taxes(PBET)	-	-	-	134,256	146,801	164,732	181,673	148,747	148,131	181,049
Extra-Ordinary Items	(2,549)	(2,684)	(8,280)	(2,695)	(428)	(1,276)	(1,550)	(1,394)	(9,553)	(38)
Profit before Taxes(PBT)	122,023	117,695	132,222	136,951	147,230	166,008	183,223	150,141	157,684	181,087
Tax Provisions	40,749	33,828	40,018	44,871	48,985	51,025	55,178	47,230	43,653	53,266
Net Profit/Loss after Tax from Continuing Operations	81,274	83,867	92,203	92,079	98,245	114,982	128,045	102,911	114,031	127,821
Net Profit/Loss after Tax from Discontinuing Operations	-	-	-	49	1	(1)	250	(45)	208	(219)
Overall Net Profit/Loss	81,274	83,867	92,203	92,129	98,246	114,981	128,295	102,866	114,239	127,602
Profit of Profit-making CPSEs	91,577	98,488	108,434	113,944	125,929	143,543	149,636	130,364	144,998	152,647
Loss of Loss-making CPSEs	(10,303)	(14,621)	(16,231)	(21,816)	(27,683)	(28,562)	(21,341)	(27,498)	(30,759)	(25,045)
Profit -making CPSEs (No.)	160	158	157	158	161	151	164	159	164	174
Loss -making CPSEs (No.)	54	55	60	62	64	78	70	76	79	82
CPSEs making no Profit/Loss (No.)	-	-	-	-	-	1	-	1	1	1

Dividend	28,123	25,501	33,223	35,700	42,627	49,703	65,115	56,527	68,583	78,133
Dividend Tax	4,722	4,132	5,151	5,372	5,877	6,704	8,709	8,642	10,598	14,477

Annexure-II

LIST OF 82 CPSUs THAT MADE LOSS DURING 2016-17

(in Crores)

Sl. No.	Name of CPSU	2014-15	2015-16	2016-17
1	AIR INDIA ENGINEERING SERVICES LTD.	-242.57	-407.1	-407.1
2	AIR INDIA LTD.	-5859.91	-3836.78	-3951.65
3	AIRLINE ALLIED SERVICES LTD.	-183.92	-198.75	-282.72
4	ANDAMAN & NICOBAR ISL. FOREST & PLANT.DEV.CORP.LTD	-45.09	-49.7	-49.7
5	ASSAM ASHOK HOTEL CORPN. LTD.	-1.19	-1.55	-1.55
6	BEL-THALES SYSTEMS LTD.	0	-2.45	-0.82
7	BHARAT COKING COAL LTD.	763.14	609.07	-169.98
8	BHARAT PETRO RESOURCES LTD.	-34.29	-55.89	-202.98
9	BHARAT PUMPS & COMPRESSORS LTD.	-55.04	-75.06	-84.47
10	BHARAT SANCHAR NIGAM LTD.	-8234.09	-4859.16	-4793.21
11	BHARAT WAGON & ENGG. CO. LTD.	-15.68	-15.26	-14.34
12	BHEL ELECTRICAL MACHINES LTD.	-3.96	-2.98	-4.24
13	BIRDS JUTE & EXPORTS LTD.	-5.85	-4.64	-4.85
14	BRAHAMPUTRA CRACKERS & POLYMER LTD.	0	-272.51	-547.41
15	BRAITHWAITE & CO. LTD.	-44.61	0.64	-8.95
16	BRITISH INDIA CORPORATION LTD.	-94.94	-97.24	-104.98
17	BURN STANDARD COMPANY LTD.	-24.66	-28.37	-33.51
18	CREDA HPCL BIOFUEL LTD.	-5.07	-7.16	-3.75
19	DELHI POLICE HOUSING CORPORATION LTD.	1.09	1.15	-0.19
20	DONYI POLO ASHOK HOTEL LTD.	-0.03	0.01	-0.04
21	FERTILIZERS & CHEMICALS (TRAVANCORE) LTD.	-399.91	-452.19	-186.96
22	FRESH & HEALTHY ENTERPRISES LTD.	-14.47	-25.91	-13.65
23	HANDICRAFTS & HANDLOOM EXPORTS CORP. OF INDIA LTD.	3.4	-10.76	-30.53
24	HEAVY ENGINEERING CORPN. LTD.	-241.69	-144.77	-82.27
25	HINDUSTAN ANTIBIOTICS LTD.	-70.55	-77.18	-78.24
26	HINDUSTAN FLUOROCARBONS LIMITED	-3.77	-11.11	-4.89
27	HINDUSTAN NEWSPRINT LTD.	-7.81	-43.61	-60.14
28	HINDUSTAN ORGANIC CHEMICALS LTD.	-215.49	-173.91	-255.57
29	HINDUSTAN PAPER CORPORATION LTD.	-331.29	-370.14	-370.14
30	HINDUSTAN PHOTO FILMS MANUFACTURING CO. LTD.	-2164.36	-2527.91	-2917.16
31	HINDUSTAN STEELWORKS COSTN. LTD.	-8.11	36.9	-17.28
32	HLL BIOTECH LTD.	-0.07	-6.1	-4.72
33	HLL LIFECARE LTD.	31.55	27.14	-25.38
34	HMT BEARINGS LTD.	-17.77	-8.09	-3.78
35	HMT LTD.	-96.57	-17.14	-239.49
36	HMT MACHINE TOOLS LTD.	-134.94	-106.66	-127.59
37	HMT WATCHES LTD.	-259.2	-155.57	-203.56
38	HOOGHLY PRINTING COMPANY LTD.	0.07	0.13	-0.03
39	HOTEL CORPN. OF INDIA LTD.	-50.46	-57.76	-54.27

40	HPCL BIOFUELS LTD.	-84.37	-61.37	-30.72
41	IDPL (TAMILNADU) LTD.	1.12	-0.73	-2.39
42	INDIAN DRUGS & PHARMACEUTICALS LTD.	-167.21	-166.08	-170.02
43	INDIAN OIL-CREDA BIOFUELS LTD.	-13.76	-0.19	-6.27
44	INDIAN RAILWAY STATIONS DEVPT. CORPORATION LTD.	1.98	1.15	-4.54
45	INDIAN VACCINE CORP. LTD.	-1.64	-2.08	-0.2
46	INSTRUMENTATION LTD.	-141.54	-170.5	-91.51
47	J & K MINERAL DEVELOPMENT CORPN. LTD.	-0.8	-1.65	-0.85
48	KANTI BIJLEE UTPADAN NIGAM LTD.	17.24	-58.21	-21.93
49	MADRAS FERTILIZERS LTD.	-134.69	-189.54	-23.31
50	MAHANAGAR TELEPHONE NIGAM LTD.	-2893.39	-1947.55	-2941.08
51	MECON LTD.	20.27	-162.41	-83.84
52	NAGALAND PULP & PAPER COMPANY LTD.	-15.38	-17.39	-17.39
53	NATIONAL FILM DEV. CORPN. LTD.	-9.19	13.1	-1.91
54	NBCC ENGINEERING AND CONSULTANCY LTD.	0	-0.08	-0.17
55	NEPA LTD.	-48.71	-70.12	-68.62
56	NORTH EASTERN HANDICRAFTS & HANDLOOM DEV.CORPN. LTD.	-4.4	-1.96	-3.05
57	NORTH EASTERN REGIONAL AGRI. MARKETING CORP.LTD.	-5.89	-5.89	-5.89
58	NTPC ELECTRIC SUPPLY COMPANY LTD.	1.26	1.13	-0.18
59	ONGC MANGALORE PETROCHEMICALS LTD.	0	-648.87	-366.18
60	P E C LTD.	-208.54	-1142.02	-92.1
61	PATRATU VIDYUT UTPADAN NIGAM LTD.	0	-0.01	-0.07
62	POWERGRID NM TRANMISSION LTD.	0	0	-18.95
63	POWERGRID UNCHAHAR TRANSMISSION LTD.	0	0	-0.06
64	POWERGRID VIZAG TRANSMISSION LTD.	0	2.96	-21.94
65	PRIZE PETROLEUM COMPANY LTD.	2.08	-48.88	-14.95
66	PROJECTS & DEVELOPMENT INDIA LTD.	-5.86	-8.92	-10.58
67	RAJASTHAN DRUGS & PHARMACEUTICALS LTD.	-19.76	-5.99	-5.99
68	RANCHI ASHOK BIHAR HOTEL CORPN. LTD.	-1.07	-1.68	-2.11
69	RASHTRIYA ISPAT NIGAM LTD.	62.38	-1603.72	-1263.16
70	RITES INFRASTRUCTURE SERVICES LTD.	0.1	-0.42	-0.1
71	SAMBHAR SALTS LTD.	-9.83	-8.9	-8.55
72	SCOOTERS INDIA LTD.	11.09	5.48	-10.28
73	SIDCUL CONCOR INFRA COMPANY LTD.	0	2.39	-12.96
74	STATE TRADING CORPN. OF INDIA LTD.	26.19	17.86	-165.53
75	STCL LTD.	-412.59	-480.07	-562.77
76	STEEL AUTHORITY OF INDIA LTD.	2092.68	-4021.44	-2833.24
77	TCIL BINA TOLL ROAD LTD.	-9.42	-10.43	-10.46
78	TCIL LAKHNADONE TOLL ROAD LTD.	0	-0.04	-4.64
79	THE BISRA STONE LIME COMPANY LTD.	-27.27	-16.64	-17.73
80	TUNGABHADRA STEEL PRODUCTS LTD.	-28.87	-28.87	-28.87
81	UTKAL ASHOK HOTEL CORPN. LTD.	-0.7	-1.97	-1.28
82	WESTERN COALFIELDS LTD.	313.14	297.69	-777.03

Annexure- V

LIST OF CPSES FOR WHICH GOVERNMENT HAS GIVEN 'IN-PRINCIPLE' APPROVAL FOR STRATEGIC DISINVESTMENT
(As reported by DIPAM)

1) Scooters India Ltd.
2) Bridge & Roof India Ltd.
3) Project & Development India Ltd.
4) Pawan Hans Ltd.
5) Bharat Pumps Compressors Ltd.
6) Central Electronics Ltd.
7) Hindustan Prefab Ltd.
8) Bharat Earth Movers Ltd.
9) Hindustan Newsprint Ltd. (subsidiary)
10) Ferro Scrap Nigam Ltd.(subsidiary)
11) Hindustan Fluorocarbon Ltd. (subsidiary)
12) Cement Corporation of India Ltd.
13) Nagarnar Steel Plant of NMDC.
14) Bhadrawati, Salem and Durgapur units of SAIL.
15) HSCC (India) Ltd.
16) National ProjectsConstructionCorporation. (NPCC)
17) Engineering Projects (India) Ltd.
18) Air India.
19) Dredging Corporation of India Ltd.
20) HLL Lifecare Ltd.
21) Indian Medicines & Pharmaceutical Corporation Ltd.
22) Karnataka Antibiotics and Pharmaceuticals Ltd.
23) Hindustan Petroleum Corporation Ltd.
24) Units / JVs of ITDC.

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Annexure-VI

LIST OF 33 LOSS MAKING CPSUs THAT HAVE BEEN APPROVED FOR CLOSURE/REVIVAL/IDSINVESTMENT AS PER DPE (OUT OF 79 CPSUs)
(As reported by DPE)

Sr. no.	CPSEs	Status
1	AIR INDIA ENGINEERING SERVICES LTD.	Under Disinvestment
2	AIR INDIA LTD.	Under Disinvestment
3	AIRLINE ALLIED SERVICES LTD.	Under Disinvestment
4	ANDAMAN & NICOBAR ISL. FOREST & PLANT.DEV.CORP.LTD	Under Closure
5	ASSAM ASHOK HOTEL CORPN. LTD.	Disinvestment process completed and transferred to the Government of Assam
6	BENGAL CHEMICALS & PHARMACEUTICALS LTD.	Under Disinvestment
7	BHARAT BROADBAND NETWORK LTD.	
8	BHARAT HEAVY ELECTRICALS LTD.	
9	BHARAT IMMUNOLOGICALS & BIOLOGICALS CORP. LTD.	
10	BHARAT PETRO RESOURCES LTD.	
11	BHARAT PUMPS & COMPRESSORS LTD.	Under Disinvestment
12	BHARAT SANCHAR NIGAM LTD.	
13	BHARAT WAGON & ENGG. CO. LTD.	Under Closure
14	BHEL ELECTRICAL MACHINES LTD.	
15	BIRDS JUTE & EXPORTS LTD.	
16	BRAHAMPUTRA CRACKERS & POLYMER LTD.	
17	BRITISH INDIA CORPORATION LTD.	
18	BROADCAST ENGG. CONSULTANTS INDIA LTD.	
19	BURN STANDARD COMPANY LTD.	
20	CENTRAL INLAND WATER TRANSPORT CORPN. LTD.	Under Closure
21	CREDA HPCL BIOFUEL LTD.	Under Closure
22	FERTILIZERS & CHEMICALS (TRAVANCORE) LTD.	
23	FRESH & HEALTHY ENTERPRISES LTD.	
24	HANDICRAFTS & HANDLOOM EXPORTS CORP. OF INDIA LTD.	
25	HEAVY ENGINEERING CORPN. LTD.	
26	HINDUSTAN ANTIBIOTICS LTD.	Under Disinvestment
27	HINDUSTAN CABLES LTD.	Under Closure
28	HINDUSTAN FLUOROCARBONS LIMITED	Under Disinvestment
29	HINDUSTAN NEWSPRINT LTD.	Under Disinvestment
30	HINDUSTAN ORGANIC CHEMICALS LTD.	Rasayani Unit (except CAN/N_2O_4 plant) under closure. CAN/N_2O_4 plant to be transferred to ISRO. Latter put up for strategic disinvestment.
31	HINDUSTAN PAPER CORPORATION LTD.	

32	HINDUSTAN PHOTO FILMS MANUFACTURING CO. LTD.	under liquidation
33	HINDUSTAN SALTS LTD.	
34	HLL BIOTECH LTD.	
35	HMT BEARINGS LTD.	Under Closure
36	HMT CHINAR WATCHES LTD.	Under Closure
37	HMT LTD.	
38	HMT MACHINE TOOLS LTD.	
39	HMT WATCHES LTD.	Under Closure
40	HOOGHLY DOCK AND PORT ENGINEERS LTD.	revival through JV
41	HOTEL CORPN. OF INDIA LTD.	Under Disinvestment
42	HPCL BIOFUELS LTD.	
43	IDPL (TAMILNADU) LTD.	
44	INDIAN DRUGS & PHARMACEUTICALS LTD.	Under Closure
45	INDIAN MEDICINES & PHARMACEUTICAL CORPN. LTD.	Under Disinvestment
46	INDIAN OIL-CREDA BIOFUELS LTD.	Under Closure
47	INDIAN RARE EARTHS LTD.	
48	INDIAN VACCINE CORP. LTD.	
49	INSTRUMENTATION LTD.	Kota unit to be closed and Pallakad unit to be transferred
50	J & K MINERAL DEVELOPMENT CORPN. LTD.	
51	KANTI BIJLEE UTPADAN NIGAM LTD.	
52	KIOCL LTD.	
53	MADHYA PRADESH ASHOK HOTEL CORPN. LTD.	Disinvestment process completed and transferred to the Government of MP
54	MADRAS FERTILIZERS LTD.	
55	MAHANAGAR TELEPHONE NIGAM LTD.	
56	MECON LTD.	
57	NAGALAND PULP & PAPER COMPANY LTD.	
58	NEPA LTD.	
59	NLC TAMIL NADU POWER LTD.	
60	NORTH EASTERN HANDICRAFTS& HANDLOOM DEV.CORPN. LTD.	
61	NORTH EASTERN REGIONAL AGRI. MARKETING CORP.LTD.	
62	ONGC MANGALORE PETROCHEMICALS LTD.	
63	ONGC VIDESH LTD.	
64	P E C LTD.	
65	PONDICHERRY ASHOK HOTEL CORPN. LTD.	The Hotel has been decided to be given on long term lease (e.g. joint lease, DBFOT, PPP etc.).
66	PRIZE PETROLEUM COMPANY LTD.	
67	PROJECTS & DEVELOPMENT INDIA LTD.	Under Disinvestment

68	RAJASTHAN DRUGS & PHARMACEUTICALS LTD.	Under Closure
69	RANCHI ASHOK BIHAR HOTEL CORPN. LTD.	Under disinvestment. ITDC is to transfer its 51% equity stake in Ranchi Ashok Bihar Hotel Corporation Ltd. to the Government of Jharkhand.
70	RASHTRIYA ISPAT NIGAM LTD.	
71	RICHARDSON & CRUDDAS(1972) LTD.	
72	RITES INFRASTRUCTURE SERVICES LTD.	
73	SAMBHAR SALTS LTD.	
74	STCL LTD.	winding up
75	STEEL AUTHORITY OF INDIA LTD.	
76	TCIL BINA TOLL ROAD LTD.	
77	THE BISRA STONE LIME COMPANY LTD.	
78	TUNGABHADRA STEEL PRODUCTS LTD.	Under Closure
79	UTKAL ASHOK HOTEL CORPN. LTD.	Hon'ble Supreme Court vide its order dated 18.9.2017 has passed the stay order against the cancellation of LoI. No further action on disinvestment can be taken.