Central Public Sector Enterprises (CPSEs)

7.39 Contributing an estimated 11.12 per cent of GDP at market prices in 2005-06, the CPSEs continued to be engaged in the production and supply of a wide range of products and sevices (Box 7.5) including basic goods like steel, cement and chemicals; capital goods like pressure vessels, boilers and drilling rigs; and intermediate goods like electricity and gas. They also rendered a large number of services like telecommunications, tourism, and warehousing.

7.40 The National Common Mimimum Programme (NCMP) stipulates a strong and effective public sector whose social objectives are met without prejudice to its commercial functioning. Efforts are being made to modernize and restructure sick CPSEs and revive sick industry. Only the chronically loss-making CPSEs are being considered for closure or sell-off after payment of due compensation to the laid-off employees. The problem of sickness in CPSEs is addressed by the administrative Ministries/Departments by evolving an appropriate need-based strategy concerning a particular CPSE. Government, to further help the CPSUs to turn around financially, set up the Board for Reconstruction of Public Sector Enterprises (BRPSE) in December 2004 to recommend measures for restrucuturing/reviving CPSEs referred to them. The BRPSE also recommends cases where disinvestment or closure or sale are justified. Till October 31, 2006, BRPSE has made recommendations in respect of 36 CPSEs, and Government has approved the proposals in 21 cases.

7.41 In order to ensure and encourage efficiency in their functioning, Government has taken various steps to professionalise the Boards of CPSEs. These include provision of outside professionals in the form of part-time

Box 7.5 : Highlights of CPSE performance in 2005-06

- The share of CPSEs in GDP at market prices stood at 11.12 per cent in 2005-06 and 11.68 per cent in 2004-05.
- The cumulative investment of all CPSEs at end-March, 2006 was Rs.3,93,057 crore. The share of manufacturing CPSEs in such investment was the highest at 51 per cent followed by service CPSEs at 40 per cent, mining CPSEs at 7 per cent.
- The overall growth in turnover of CPSEs was 11.86 per cent. The growth in the turnover of 'heavy engineering and construction services' group was the highest at 39 per cent during the year.
- In terms of capacity utilization, 51 per cent of all CPSEs operated at 75 per cent or higher; 16 per cent at 50-75 per cent, and the residual 33 per cent at less than 50 per cent.
- CPSEs had a near monopoly in the production of coal (85.52 per cent), crude oil (85.87 per cent) and petroleum refining (74.51 per cent).· The aggregate reserves and surpluses of all CPSEs went up to Rs. 3,59,077 crore.
- The long-term loans of CPSEs went up to Rs. 3,61,714 crore.
- The accumulated losses of all CPSEs declined by Rs.10,578 crore from Rs.83,725 crore in 2004-05 to Rs.73,147 crore.
- While the petroleum producing CPSEs ranked among the top ten profit-making CPSEs, the fertilizer producing CPSEs were generally the loss-making ones.
- 44 CPSEs are listed on the domestic stock exchanges. While the shares of MTNL (ADR) are listed on the New York Stock Exchange, the shares of GAIL and SAIL are listed on the London Stock Exchange.
- In net value addition of CPSEs at market prices, the share of 'taxes and duties' was the highest at 46 per cent, followed by 'net profit' (26 per cent), 'salaries & wages' (19 per cent) and 'interest' (9 per cent).
- At end-March, 2006, the 239 CPSEs employed over 16.49 lakh people excluding casual workers. The comparable figures in the previous four years were 19.92 lakh, 18.66 lakh, 17.62 lakh, 17.00 lakh, respectively.

Source: Department of Public Sector Enterprises.

non- official Directors, restricting the number of Government nominated Directors to one-sixth of the actual strength of the Board subject to a maximum of two, and incorporation of functional Directors upto a limit of 50 per cent of the actual strength of the Board. On the recommendations of Arjun Sen Gupta Committee, the Government, during 1987-88, introduced the concept of Memorandum of Understanding (MOU) to ensure clarity in the functioning of CPSEs, and proper balance between accountability and autonomy for better results. The number of CPSEs signing MOUs went up from 4 in 1987-88 to 112 in 2006-07. In order to further the competitive spirit, an attempt has also been made to evaluate the performance of the CPSEs on the basis of (a) sales, (b) growth of sales, (c) net profit, (d) growth in net profit, (e) return on net worth, (f) earning per share, and (g) dividend pay-out ratio.

7.42 The Government policy on disinvestment has evolved over the last decade and has been generally announced through the Budget. Disinvestment of Government equity in CPSEs began in 1991-92. Till 1999-2000, disinvestment was primarily through sale of minority shares in small lots. Between 1999-2000 and 2003-04, the emphasis of disinvestment changed in favour of strategic sale. The proceeds from disinvestment from April 1991 to March 2006 amounted to Rs. 49,241.29 crore. At present, the policy is to list large, profitable CPSEs on domestic stock exchanges.