7

# „REVIEW OF LOSS MAKING CPSUs‟

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

# COMMITTEE ON PUBLIC UNDERTAKINGS (2020-21)

# SEVENTH REPORT

**(SEVENTEENTH LOK SABHA)**

LOK SABHA SECRETARIAT
NEW DELHI

**SEVENTH REPORT**

**COMMITTEE ON PUBLIC UNDERTAKINGS**
**(2020-21)**

**(SEVENTEENTH LOK SABHA)**

**REVIEW OF LOSS MAKING CPSUs**

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

**[Action taken by the Government on the Observations/Recommendations contained in the Twenty-fourth Report of the Committee on Public Undertakings on Review of Loss Making CPSUs]**

***Presented to Lok Sabha on 29.01.2021***
***Laid in Rajya Sabha on 29.01.2021***

**LOK SABHA SECRETARIAT**
**NEW DELHI**

***January, 2021/ Magha, 1942(Saka )***

## CONTENTS



## ANNEXURES



## APPENDICES

## COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS (2020-21)

***Smt. Meenakashi Lekhi - Chairperson***

**Members**
***Lok Sabha***

2. Dr.Heena Vijaykumar Gavit
3. Shri Chandra Prakash Joshi
4. Smt. K. Kanimozhi
5. Shri Raghu Ramakrishna Raju Kanumuru
6. Smt. Poonamben Hematbhai Maadam
7. Shri Arjunlal Meena
8. Shri Janardan Mishra
9. Shri Kinjarapu Ram Mohan Naidu
10. Prof. Saugata Roy
11. Dr. Arvind Kumar Sharma
12. Shri Ravneet Singh
13. Shri Sushil Kumar Singh
14. Shri Uday Pratap Singh
15. Shri Ramdas Chandrabhanji Tadas

***Rajya Sabha***

16. Shri Prasanna Acharya
17. Shri Birendra Prasad Baishya
18. Shri Anil Desai
19. Shri Joginipally Santosh Kumar
20. Shri Om Prakash Mathur
21. Shri Surendra Singh Nagar
22. Shri M. Shanmugam

SECRETARIAT

1. Shri R.C. Tiwari - Joint Secretary
2. Shri Srinivasulu Gunda - Director
3. Shri G.C. Prasad - Additional Director

## INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2020-21) having been authorized by the Committee to submit the Report on their behalf, present this Seventh Report on Action Taken by the Government on the Observations/Recommendations contained in the Twenty-fourth Report of the Committee on Public Undertakings (Sixteenth Lok Sabha) on “Review of Loss Making CPSUs”.

2. The Twenty-fourth Report of the Committee on Public Undertakings (2018-19) was presented to Lok Sabha and laid on the Table of Rajya Sabha on 20 December, 2018. The Action Taken Replies to all the 11 Recommendations contained in the Report were received from the Ministry of Heavy Industries and Public Enterprises (Department of Public Enterprises) on 4 September, 2019.

3. The Committee (2020-21) considered and adopted the draft Report at their sitting held on 7 January, 2021.

4. The Observations/recommendations of the Committee based on the analysis of the action taken reply submitted by the Ministry on Twenty-fourth Report ($16^{th}$ Lok Sabha) of the Committee have been given in Chapter-I of this Report.

5. An analysis of the action taken by the Government on the Observations/Recommendations given by the Committee in their Twenty-fourth Report ($16^{th}$ Lok Sabha) is given in Appendix II.

**New Delhi;**
**7 January, 2021**
**17 Pausha, 1942 (S)**

**MEENAKASHI LEKHI**
**Chairperson**
**Committee on Public Undertakings**

# CHAPTER I

## D R A F T  R E P O R T

This Report of the Committee deals with the action taken by the Government on the Observations/Recommendations contained in the Twenty-fourth Report of the Committee on Public Undertaking on 'Review of loss making CPSUs' which was presented to Lok Sabha on 20th December, 2018.

2. Action Taken notes have been received from the Government in respect of all the Nineteen Observations/Recommendations contained in the report. These have been categorized as follows:-

| | | | |
|---|---|---|---|
| (i) | Observation/Recommendations which have been accepted by the Government<br>Sl. Nos. 1, 2, 5, 7, 8, 11, 12, 13, 14, 15, 17 and 19 | (Chapter II)<br>(Total 12) |
| (ii) | Observations/Recommendations which Committee do not desire to pursue in view of the Government's replies.<br>Sl. No. Nil | (Chapter III)<br>(Total: Nil) |
| (iii) | Observations/Recommendations in respect of which replies of Government had not been accepted by the Committee.<br>Sl. No. 10, 16. | (Chapter IV)<br>(Total 2) |
| (iv) | Observations/Recommendations to which the Government has furnished interim replies.<br>Sl. Nos. 3, 4, 6, 9 and 18. | (Chapter V)<br>(Total 5) |

**3. The Committee desire that the response to their comments in Chapter I of this Report should be furnished to them expeditiously. The Committee further desire that the final replies need to be furnished to the Committee expeditiously in respect of the Observations/Recommendations given in the original Report for which interim replies have been given by the Ministry. The Committee find from the replies submitted to them that the Ministry had consulted Niti Aayog on recommendation of the Committee relating to reimbursement to CPSUs serving a public purpose in remote areas but the ministry has yet to receive the opinion**

**of the Aayog. Similarly, the Ministry has still been awaiting the response of NITI Aayog on many recommendations/observations of the Committee on crucial issues like (i) improving financial health of CPSUs/rehabilitation of CPSUs- recommendation no. 3, (iii) formulating a policy to regulate and monitor the financial health of the CPSUs- recommendation no. 4, and (iv) formulating a uniform definition of 'strategic' for identification/ categorization of CPSUs – recommendation no.6, etc. Similarly the DPE has yet to receive the response of the Department of Telecommunications (DoT) on the issue of merger of BSNL & MTNL -recommendation no. 9. The Committee desire that DPE should obtain the pending replies of the concerned Departments at the earlies and submit the final replies on the recommendations on which interim replies have been given. The Committee further desire that replies on the issues commented upon by the Committee in this Report be specifically furnished to the Committee within the prescribed time limit so that comprehensive view could be taken on various important issues..**

4. The Committee will now deal with the Action Taken by the Government on some of the Observations/Recommendations in succeeding paragraphs.

**Need for shift in perspective**

**Recommendation (Sl. No. 2)**

5. The Committee in their Twenty-fourth Report had observed and recommended as follows:-

*'(A) 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.*

*(B) 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 reengineering 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*.

*(C) 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*.

6. The Ministry of Heavy Industries and Public Enterprises (Department of Public Enterprises) in their action taken reply have stated as follows:-

'(A) The Companies Act, 2013 has detailed provisions relating to corporate governance which are also applicable to CPSEs. DPE has also issued

Guidelines on Corporate Governance for CPSEs from the year 2010. These guidelines cover issues such as composition of Boards, Audit Committee, Subsidiary companies, disclosure, Code of conduct and ethics, risk management and compliance. In order to ensure that principles of corporate governance are adhered to by CPSEs, DPE is grading CPSEs based on their compliance with Guidelines on Corporate Governance for CPSEs and has made it part of MoU evaluation exercise.

As per the existing provisions under Allocation of Business Rules and Transaction of Business Rules of Government of India, CPSEs function under the administrative control of line Ministries/ Departments who continuously monitor the performance of CPSEs for timely intervention, if required. Department of Public Enterprises acts as a nodal coordinating Department and issues broad policy guidelines on the matters of performance improvement and evaluation, autonomy and financial delegation and personnel management, etc. to bring about certain degree of uniformity among CPSEs. Besides DPE, all guidelines issued by other concerned Departments such as Department of Investment and Public Asset Management (DIPAM), Department of Economic Affairs (DEA) and NITI Aayog on various financial matters are also followed by CPSEs.

(B) (a)It is submitted that during address at CPSE Conclave held on 9th April, 2018, Hon‟ble Prime Minister had, inter-alia, posed five challenges to CPSEs, viz (i) maximizing geo-strategic reach of the CPSEs, (ii) minimizing import bill of the country, (iii) integration of innovation and research amongst CPSEs, (iv) CSR expenditure on single theme, and (v) new development model for the country. All CPSEs had been requested to prepare their Action Plans to address the challenges posed by Hon‟ble Prime Minister and other recommendations emerging from CPSE Conclave.

(b) A meeting regarding review of action plan of CPSEs of 7 important sectors (Petroleum & Gas, Coal, Mines, Steel, Power, Heavy Industry & Defence Production) was held under the Chairmanship of Hon‟ble Prime Minister on 05.11.2018. In order to facilitate real-time uploading and monitoring of the progress of Action Plans of CPSEs at the concerned administrative Ministry/ Department level and above, DPE has developed a Dashboard and all the concerned Ministries/Departments and CPSEs have been asked to upload relevant information on this Dashboard through their respective nodal officers on a continuous basis. About 140 CPSEs have uploaded the status of fulfilment of targets proposed under respective action plans on the DRISHTI dashboard. A CoS meeting was held on 9.5.2019 to assess the status of implementation of action plans and decision points of the review meeting taken by the PM and broadly it has been decided that the action plans will continue to be monitored by the respective administrative Ministries/ Departments as well as CoS periodically.

(C) As the issue involved financial implications, D/o Expenditure and NITI Aayog had been consulted by DPE on the observations of the Committee.

(a)The gist of the views of D/o Expenditure (DoE) is given below:

D/o Expenditure vide OM dated 19.3.2019 has stated that the initial action in this regard is to be taken by the administrative Ministry of PSU. The administrative Ministry is to submit proposal to the competent authority. DoE after examining the proposal conveys its views to the administrative Ministry. DoE‟s role in this case is limited to comments and recommendations on the proposals of the administrative Ministry.

Hence, it is evident from the comments of DoE that in such an eventuality, the concerned administrative Ministry has to formulate proposal for the approval of the competent authority in consultation with DoE.

(b) The information from NITI Ayog is awaited. The Committee will be apprised on receipt of the reply from NITI Aayog.'

**7. The Committee in their original report had inter alia observed that the Government should realistically assess the need to retain PSUs in select sectors and for this certain global models should be examined. The Committee had also observed that the Government should ensure that the principles of Corporate Governance must be applied and adhered to by the Boards of CPSUs. The Committee observe that in their Action Taken reply, the Ministry has informed that the Companies Act, 2013 has detailed provisions relating to corporate governance which are also applicable to CPSEs. DPE has also issued Guidelines on Corporate Governance for CPSEs from the year 2010. These guidelines cover issues such as composition of Boards, Audit Committee, Subsidiary companies, disclosure, Code of conduct and ethics, risk management and compliance. In order to ensure that principles of corporate governance are adhered to by CPSEs, DPE is grading CPSEs based on their compliance with Guidelines on Corporate Governance for CPSEs and has made it part of MoU evaluation exercise. The Committee desire that strict evaluation of physical and financial performance of the CPSUs along with constant monitoring of their financial health need to be made by the DPE so that necessary remedial measures could be taken in time for incipient sick and weak CPSUs. The Committee also desire that performance audit of the CPSUs need to be made regularly preferably on half yearly basis so**

**that any alarming signal in decline of their performance could be noticed and structured timely intervention could be made in the system to rescue the incipient CPSUs.**

**8. The Committee further observe that the Department of Public Enterprises (DPE) acts as a nodal coordinating Department and issues broad policy guidelines for CPSUs on the matters of their performance improvement and evaluation, autonomy and financial delegation and personnel management, etc. to bring about certain degree of uniformity among CPSEs. Besides DPE, all guidelines issued by other concerned Departments such as Department of Investment and Public Asset Management (DIPAM), Department of Economic Affairs (DEA), Department of Expenditure (DoE) and NITI Aayog on various financial matters are also followed by CPSEs. The Committee note that Hon'ble Prime Minister while addressing the CPSEs conclave on 9 April 2018 posed five types of challenges to CPSEs. A meeting to review the action plan of CPSEs was thereafter held on 5 November 2018. As informed to the Committee, in order to facilitate realtime uploading and monitoring of the progress of Action Plans of CPSEs at the concerned administrative Ministry/ Department level and above, DPE has developed a Dashboard and all the concerned Ministries/Departments and CPSEs have been asked to upload relevant information on this Dashboard through their respective nodal officers on a continuous basis. The Committee, however are perturbed to note that although there are more than 300 CPSUs, but only 140 CPSUs have responded by uploading the status of fulfilment of targets proposed under respective action plans on the DRISHTI dashboard. The Committee therefore desire that all the Ministries/Departments and CPSEs need to be regularly reminded for uploading of requisite information so that monitoring can be done on realtime basis and effective assessment of the progress of Action Plans of CPSEs can be made. The Committee also desire to be informed whether further meetings of the Committee of Secretaries (CoS) which was supposed to be convened periodically to assess the status of implementation of action plans were held after 9 April 2019 and if so, the decisions/outcome of the meeting(s)**

**may be communicated to the Committee.The Committee further desire that the highest possible authority in the administrative Ministry as well as in the CPSUs should be made responsible for ensuring compliance of the guidelines on Corporate Governance.**

**9. The Committee observe that the indigenous aware of healthcare facilities is of paramount importance of any nation. The Committee, in this context, are of the strong opinion that pharma sector plays a very important role to keep the nation healthy and strong, and this has been quite apparent during the current pandemic when the need for strong indigenous pharma companies has been realized with more intensity.The Committee therefore recommend that pharma sector should be categorised as a „strategic sector" and necessary follow up action needs to be taken accordingly.**

**<u>Air India</u>**

**Recommendation (Sl. No. 8)**

10. The Committee in their Twenty-fourth Report had observed and recommended as follows:-

*'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.'*

11. The Ministry of Heavy Industries and Public Enterprises (Department of Public Enterprises) in their action taken reply have stated as follows:-

'In this regard, reply received vide OM dated 29.3.2019 from Ministry of Civil Aviation is given below:

a) Keeping in view the fact that no bid was received for strategic disinvestment of Air India, Air India Specific Alternative Mechanism (AISAM), in its meeting held on 18th June 2018, had, inter alia, decided that once the global economic indicators including oil prices and the forex regime stabilize, the option of strategic disinvestment of Air India should be brought before AISAM, for deliberating the future course of action.

b) The debt & liabilities & Air India will be dealt with in accordance with the decisions taken during a meeting chaired by the Hon‟ble Finance Minister which was held on 7th September 2018 on the subject, "The Plan for Operational and Financial Efficiency in Air India" in which, the following proposals were, inter alia, deliberated upon and approved:-

(i) A total debt amounting to Rs 29,464 crore would be transferred from Air India Ltd to the Special Purpose Vehicle (SPV) viz Air India Assets Holding Co Ltd forthwith.

(ii) Remaining debt and current net liability will remain with Air India. Debt allocation between AI and SPV to be revisited at a later date closer to disinvestment.

(iii) A Cash Support of Rs 3975 crore to Air India, inclusive of Rs 1630 crore already infused in AI in the financial year of FY 2018-19.

(iv) To provide a Govt. Guarantee of Rs 7600 crore, inclusive of Rs 3000 crore already provided to AI in FY 2018-19, to raise new debt for payment of stretched liabilities.

(v) An additional amount of Rs 1300 crore to be provided to the SPV to meet the interest liability on the transferred debt.

(vi) From FY 2019-20, the entire interest on the debt of Rs 29464 crore, transferred to the SPV, would be serviced by the Govt.

c) It is stated in this regard that a SPV namely Air India Asset Holding Limited had already been created on 22.01.2018 and the Union Cabinet, in its meeting held on 28.02.2019, has granted ex-post facto approval for creation of the same.

d) Further, regarding monetization of assets, it was decided in the above stated meeting that since transferring assets may involve other issues like stamp duty, the disposal of assets is to be done by MOCA/AI management. AI will open an escrow account to park the sale proceeds for paying debt transferred to SPV. It is stated in this regard that the assets of Air India are being monetized while they continue to be with Air India where all sale proceeds from monetization of assets are credited. These proceeds are utilized only to retire those debts that are proposed to be transferred to SPV.

e) It is further stated that the proposal for payment of Rs.1300/- crore to Air India Limited for repayment of loan has since been approved by Ministry of Finance and payment has been made to Air India Limited in Financial Year 2018-19.'

**12. The Committee observe from the reply submitted by the Ministry that since no bid was received for strategic disinvestment of Air India, Air India Specific Altenative Mechanism (AISAM) in their meeting held on 18 June 2018 had inter-alia decided that once the global economic indicators including oil prices and the forex regime stabilize, the option of strategic disinvestment of Air India should be brought before AISAM for deliberating the future course of action. The Committee**

**further note that several proposals were deliberated upon and approved in the meeting held by the Finance Minister on 7 September 2018 on the issue of debt & liabilities of Air India. One of the crucial decision taken was to transfer the total debt amounting to Rs. 29,464 crore from Air India Ltd. to the Special Purpose Vehicle (SPV) viz. Air India Assets Holding Co. Ltd and from FY 2019-20, the entire interest on the debt of Rs.29,464 crore transferred to SPV would be serviced by the Government. The Committee was also informed that the SPV namely Air India Asset Holding Ltd. had already been created on 22.01.2018 and to Union Cabinet in its meeting held on 28.02.2019 had granted ex-post-facto approval for creation of the same. With regard to monetization of assets of Air India, the Committee was informed that since transferring assets of Air India may involve other issues like stamp duty, the disposal of assets is to be done by the Ministry of Civil Aviation / Air India management. It was also decided that Air India will open an escrow account to park the sale proceeds for paying debt transferred to SPV. The Committee would like to be apprised of the updated status of the action taken by the Government in this regard.**

**13. The Committee further observe that despite many concrete steps taken by the Government to address the huge debt burden of Air India, its strategic disinvestment plan has not witnessed much progress so far. Meanwhile the debt burden and losses of the beleaguered airlines has ballooned. During 2018-19 alone, Air India has incurred a loss of Rs. 8475 Crore which constitutes about 26.79 % of the total losses made by the Central Public Sector Undertakings (CPSUs). As per the Public Enterprises Survey(2018-19) brought out by the Department of Public Enterprises (DPE), Air India is the second largest loss making CPSU after BSNL. The Committee however observe that during the current pandemic when other airlines could not come to rescue, it was only Air India which brought Indian citizens from foreign countries and thus its importance was realized during this crisis in a bigger way. The Committee also observe that the aviation sector being of strategic importance, the country needs to have its own national air carrier which could be relied upon during the**

**crisis.The Committee therefore urge the Government to maintain a fine balance between the national interest of having its own airlines and overall health of national carrier. The Committee would like to be apprised of the progress made so far and the latest developments about the status of Air India.**

**<u>Delay in cash & support and other approvals by the Government</u>**

**Recommendation (Sl. No. 10)**

14. The Committee in their Twenty-fourth Report had observed and recommended as follows:-

> *'(A) 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 steadily have not been paid their dues in full.*
>
> *(B) (i)In MTNL, the pension bill of employees accumulated to Rs.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.*
>
> *(ii) 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.*
>
> *(iii) 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.'*

15. The Ministry of Heavy Industries and Public Enterprises (Department of Public Enterprises) in their action taken reply have stated as follows:-

'(A). In this regard, Department of Heavy Industry has intimated on 20.3.2019 that whenever any proposal for financial support/ investment etc. is received from CPSEs, the Department follows the timeline stipulated for Expenditure Finance Committee (EFC) / Cabinet approval. At times, inter-ministerial consultations may take some time, but the status of such important proposals is monitored in the weekly Senior Officers Meeting (SOM) in DHI. All efforts are made for speedy disposal of such proposals. As far as Instrumentation Limited is concerned, the Kota Unit of the company has already been slated for closure and process of closure is in full swing. Payment of salary, wages, VRS/VSS and other dues of all employees of Kota Unit has been completed, except for 7 employees. The Palakkad Unit of the company is being transferred to Kerala Government.

(B).a) As the observations of the Committee pertain to CPSEs under D/o Fertilizers (DoF) and D/o Telecommunications (DoT), DPE has sought the views of these Departments alongwith D/o Heavy Industry which has many loss making CPSEs functioning under it.

b) Department of Fertilizers has informed about the efforts made in this regard. The details are given in Annex- V. Information from Department of Telecommunications (DoT) is awaited on this issue. The response of DoT will be communicated to the Committee as soon as it is received.

c) On this matter, Department of Heavy Industry has intimated on 20.3.2019 that whenever any proposal for financial support/ modernisation etc. is received from CPSEs, the Department follows the timeline stipulated for Expenditure Finance Committee (EFC) / Cabinet approval. At times, inter-ministerial consultations may take some time, but the status of such important proposals is monitored in the weekly Senior Officers Meeting (SOM) in DHI. All efforts are made for speedy disposal of such proposals.

d) To expedite the decision making and to streamline the multiple mechanisms with respect to revival/ restructuring sick/ loss making CPSEs, the Government wound up Board for Reconstruction of Public Sector Enterprises (BRPSE) in November, 2015. Subsequent to the decision of the Government (7.10.2015) for winding up of BRPSE, DPE has issued guidelines on 29.10.2015 on “Streamlining the mechanism for revival and restructuring of sick/ incipient sick and weak Central Public Sector Enterprises”. As per the guidelines, the concerned administrative Ministry/ Department is now responsible to monitor sickness of CPSEs functioning under them and take timely redressal measures for revival/ restructuring/ disinvestment of sick/ loss making CPSEs with the approval of the competent authority.'

**16. The Committee in their initial recommendation had noted 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. The Committee cited Kota Unit of Instrumentation Limited (IL) as an instance where dues of employees of the Unit had not been paid in full. The Committee also cited instances like MTNL whose liabilities had not been settled for four years and BSNL losing on GSM front due to delay by the Government in taking decision on procurement. In case of, FACT, the revival proposal placed before the Board for Reconstruction of Public Sector Enterprises (BPRSE) in 2013 was delayed leading to severe financial crunch forcing the Company to stop fertilizer production in 2015-16. In their action taken reply, the Government has informed that the closure process of the Kota unit is in full swing and except for 7 employees, all dues have been paid. Regarding MTNL and BSNL, it has been stated that the Department of Telecommunication(DoT) is yet to respond. On FACT, the Committee have been informed that NITI Aayog has submitted the draft study report on “feasibility of merger of FACT & MFL with other fertilizer units of Department of Fertilizers and options for financial restructuring of MFL and FACT” which is under examination. The Committee, however, observe that**

**there is no clarity on the future course of action especially when in the meeting on 16 November 2018, none of the participants viz. the fertilizer units have shown interest in absorption/ merger of FACT/MFL with them due to their negative net worth. The Committee would like a clarification in this regard alongwith the details of conclusive action taken in the matter.**

**17. The Committee observe that as per the DPE Survey 2018-19, BSNL is the top-most loss making CPSU that incurred a loss of Rs. 14904 Crore and similarly MTNL has made a loss of Rs. 3390 Crore. BSNL and MTNL together make-up 57.83% of the total losses incurred by the loss making CPSUs during the year 2018-19. The Department of Heavy Industries (DHI) in its response to DPE have stated that at times Inter-ministerial consultations may take time, but the status of such important proposals is monitored in the weekly Senior Offices meeting (SOM) of DHI. DPE has stated that subsequent to winding up of BRPSE on 07.10.2015, it has issued guidelines on 29.10.2015 on 'streamlining the mechanism for revival and restructuring of sick/ incipient sick and weak CPSEs'. As per the guidelines, the concerned administrative Ministry/Department is now responsible to monitor sickness of CPSEs functioning under them and take timely redressal measures for revival/restructuring/disinvestment of sick/loss making CPSEs with the approval of the competent authority. The Committee further learn that Cabinet has approved on 26.10.2019 for revival of BSNL and MTNL by reducing the employees cost, administrative allotment of spectrum for 4G services, debt restructuring by raising of sovereign guarantee bonds, monetisation of assets and in principle approval for merger of BSNL and MTNL. Since BSNL and MTNL constitute the major portion of the losses made by the loss making CPSUs, the Committee desire that decision on these CPSUs need to be executed in a time-bound manner to avoid further accumulation of losses. The Committee would also like to be informed of the present status of the implementation of the cabinet decision on BSNL & MTNL and desire that the system of holding of Senior Officers meetings (SOMs) every week in every Ministry/Department as reportedly is being done in Department of Heavy**

**Industries should be followed by all the Ministries and Departments so that important proposals are monitored regularly to timely address the critical issues.**

**18. In view of the long delays experienced in addressing the concerns of sick PSUs leading to further deterioration of the quality and also the value of the inventories due to administrative and procedural reasons, the Committee, referring to the suggestions given by the experts, had desired in their original report that „the Government may work out categories like restructuring, monetization of assets, technological upgradation, etc., on which a decision of either the Boards of loss making PSUs, the Administrative Ministry, or a Group of Experts could be considered final and acted upon urgently. The reply of the Ministry, however, is conspicuously silent on this suggestion. The Committee observe that it seems that most CPSUs were allowed to be sick because of long delays in addressing their problems and also being trapped inthe quagmire of requirement of decisions by multiple authorities. The Committee thus feel that a single authority/level should be identified in one organisation whose decision should be treated as final. The Committee while reiterating their recommendation made on this issue desire the Government to give serious consideration on the suggestion given by the experts in this regard as it will reduce the multiple layers involved in the process and make the decision making fast tracked about the sick PSUs.**

**Delay in payment of dues/VRS packages**

**Recommendation (Sl. No. 15)**

19. The Committee in their Twenty-fourth Report had observed and recommended as follows:-

> *'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 nonreceipt 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.'*

20. The Ministry of Heavy Industries and Public Enterprises (Department of Public Enterprises) on the aforesaid issue responded as under:-

*a) DPE has issued detailed guidelines on 14th June, 2018 on time bound closure of sick/ loss making CPSEs and disposal of movable and immovable assets. These guidelines, inter-alia, provide that in the event of closure, the VRS/VSS package will be worked out at 2007 notional pay scales (irrespective of the fact that CPSEs could be in pre-revised pay scale of 1997 or 1992 etc.). Further, the estimation of financial requirement for such a package for payment of wage/salary etc. will be worked out in a time bound manner by the concerned administrative Ministry/ Department/ CPSE and the details of the same will be included in the Cabinet Note for seeking budgetary grant from the Government of India. Further, time lines have also been prescribed for the M/o Finance, D/o Expenditure to release the funds to meet the above estimated requirement of funds once the Cabinet decision has been taken for closure of a CPSE. An oversight committee at the level of NITI Aayog has also been provided in the guidelines to monitor the status of closure of CPSEs and steps involved in the same. In respect of HMT, IL, HAL, IDPL and other CPSEs for which decision have been taken for closure, the details of pending dues of employees have been sought from the concerned administrative Ministry/ Department vide OM*

*No. CRR/02/13/0024/2014-JS(VRS) dated 7.2.2019.*

*b) The observation of the Committee has also been brought to the notice of concerned Ministries/ Departments of loss making CPSEs. The reply received from D/o Pharmaceuticals, D/o Commerce, Ministry of Environment, Forest and Climate Change, Ministry of Health & Family Welfare, M/o Petroleum & Natural Gas, Ministry of Railways, Ministry of Tourism, D/o Heavy Industry, M/o Civil Aviation, D/o Chemicals & Petrochemicals, Ministry of Coal, Ministry of Development of North Eastern Region, Ministry of Power, Ministry of Steel,Ministry of Information and Broadcasting and Department of Fertilizers has been compiled under* Annex-VIII.

**21. The Committee observe that DPE had issued guidelines on 14 June 2018 on time bound closure of sick/loss making CPSEs and disposal of movable and immovable assets. An oversight committee at the level of NITI Aayog has also been provided in the Guidelines to monitor the status of closure of CPSEs and steps involved in the same. However, despite the guidelines and the provision of an oversight committee at the level of NITI Aayog, the Committee observe from the information furnished by DPE in Annexure-VIII to the reply that although most of the CPSUs have taken right steps in this direction but dues of employees of some of the CPSUs are yet to be finally settled. The Department of Pharmaceuticals has sent a Cabinet note on 5 February 2019 seeking upfront budgetary support as loan for meeting the outstanding liabilities of CPSEs under closure (IDPL and RDPL) and also for waiver of Central Government loan (principal and interest). In case of CPSEs under strategic disinvestment (Hindustan Antibiotics Limited), budgetary support has been sought for settlement of employees dues, VRS, One Time Settlement with Banks and waiver of Central Government loan (principal and interest). Similarly, dues of employees in M/s Braithwaite & Company Ltd (BCL), HMT Watches (Ranibagh), Air India, Hindustan Organic Chemicals Limited(HOCL), Hindustan Flurocarbons Limited (HFL), Birsa Stone Lime Company Limited (BSLC) are still pending. The Committee desire that the final settlement of dues of employees of these CPSUs be expedited and a report indicating the action taken and the latest status submitted to the Committee.**

**CRR Scheme of DPE**

**Recommendation (Sl. No. 16)**

22. The Committee in their Twenty-fourth Report had observed and recommended as follows:-

> *'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.*

23. The Ministry of Heavy Industries and Public Enterprises (Department of Public Enterprises) on the aforesaid issues responded as under:-

> *a) Prior to 2016-17, CRR Scheme was implemented by Nodal Agencies through Employees Assistance Centres (EACs) in various parts of the country. Ministry of Skill Development & Entrepreneurship (MSDE) on 15.7.2015 notified Common Norms in order to bring about uniformity and standardization in the implementation of various Skill Development Schemes by different Central Ministries / Departments.*

*b) Accordingly, with a view to broaden the network of Training Providers and also to follow standardized methodology of training, design and delivery, CRR Scheme is being now implemented in collaboration with National Skill Development Corporation (NSDC) under Ministry of Skill Development & Entrepreneurship (MSDE). Training is imparted to VRS optees/their dependents as per common norms of NSDC.*

*c) NSDC being a facilitator ensures that all training programmes are as per Qualification Pack(QP) / National Occupational Standard(NOS), standards set forth by the Sector Skills Council(SSC) resulting in certification as per certification standards. National Occupational Standards (NOS) specify the standard of performance, knowledge and understanding when carrying out a particular activity in the workplace, while Qualification Pack (QP) is a set of NOSs, aligned to a job role available in each industry sector. This also helps in augmenting redeployability under the CRR Scheme.*

*d) Earlier, benefit of the CRR Scheme was available to VRS optees only. Now, the benefit of the scheme can be extended to the dependent of VRS optee in case the later does not want to avail the scheme. Such an amendment has also broadened the coverage as well as opportunities of redeployment under CRR because of faster learning and acquisition of skills in the younger generation. Further, while micro credit and financing in case of trained VRS optees for self-employment is challenging, it is comparatively easier in case of dependents.*

*e) The target group of the CRR scheme is very unique and distinct from other skill development schemes of the Government. Mostly, VRS/VSS optees are above 50 years of age. Given the typical target group, the redeployment under the CRR Scheme is a challenge. However, it is being continuously followed up with NSDC for undertaking long duration intensive training programmes as well as residential training programmes under CRR Scheme to enhance redeployment percentage.*

*f) With regard to Committee's recommendations to include contractual employees of CPSEs, it may be submitted that as per the extant policy, CRR scheme is applicable to only those employees of CPSEs who are eligible and separated under VRS/VSS and it may not be feasible to cover contractual employees under the CRR Scheme as such.*

*g) Further, as mentioned in reply to point 15 earlier, in order to make VRS/VSS package more remunerative, the guidelines dated 14.06.2018 issued by DPE stipulate that for CPSEs under closure, the VRS/VSS package will be worked out at 2007 notional pay scales (even if that CPSE could be in the pre-revised pay scale of 1997 or 1992 etc.). Availing skill training benefits of the CRR Scheme is an add-on benefit to the employee or his/her dependent.*

**24. The Committee had recommended in their original report to include contractual employees of CPSEs in the Counselling, Retraining and Redeployment (CRR) scheme. DPE has however informed that as per the extant policy, CRR scheme is applicable to only those employees of CPSEs who are eligible and separated under VRS/ VSS and it may not be feasible to cover contractual employees under the CRR scheme. DPE has also clarified that the target group of the CRR scheme is very unique and distinct from other skill development schemes of the Government. It has also been stated that mostly VRS/ VSS optees are above 50 years of age and given the typical target group, the redeployment under the CRR Scheme is a challenge. As per the employment figures furnished earlier to the Committee, only 887 persons could be redeployed out the 1576 trained during 2016-17. The Committee in this backdrop feel that the objective of CRR scheme may not be effectively achieved if all employees of VRS/VSS trained under CRR Scheme are not gainfully redeployed. The Committee observe that many of the VRS/ VSS optees have already put in considerable number of years of service acquiring the required skill set to discharge their jobs effectively and efficiently. Majority of the VRS/VSS optees being in their late 40s and 50s may not be employed by the private companies despite their training and possessing skill sets due to their higher hiring costs and also their age factor. Hence it is not surprising that all those who had availed the training under CRR scheme may not have been employed. Very few may have opted for self employment as investment of capital is required for starting their own ventures. It is in this context the Committee had suggested that the CRR Scheme should be opened for contractual employees of these sick PSUs to enable them to employ themselves gainfully elsewhere. The Committee, therefore while reiterating their recommendation made in this regard in the original report suggest that CRR scheme may be made applicable to the contractual employees also of sick PSUs and if need arises, the relevant guidelines should be suitably amended so that they could be benefitted from skill development programme and entrepreneurship scheme of the Government of India.**

**25. The Committee in their original report had also desired to be apprised of with the detailed note on the actual outcome of the CPR Scheme and the benefits accrued therefrom to the separated employees of loss making PSUs. The Committee however observe that the desired detailed note on these issues has not been submitted by the Ministry. As per reply of the Ministry, the CRR Scheme had been started in the year 2001-02 and was modified in 2016. The Committee is of the view that since the CRR Scheme has been in operation for the last 20 years, it is high time for its objective evaluation in terms of its utility to the separated employees of sick PSUs. The Committee therefore desire the Ministry to undertake the requisite evaluation of the scheme and submit the requisite detailed note to the Committee at the earliest. The Committee desire that the performance evaluation of this scheme needs to be done by C&AG also to find out the efficacy of the scheme.**

**<u>Surplus land and asset sale of loss-making PSUs through NBCC</u>**

**<u>Recommendation (Sl. No. 17)</u>**

26. The Committee in their Twenty-fourth Report had recommended as follows:-

*'(A) 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 lying 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 steadily 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 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.*

*(B) 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.'*

27. The Ministry of Heavy Industries and Public Enterprises (Department of Public Enterprises) on the aforesaid issues responded as under:-

'(A) This observation/ recommendation of the Committee relates to administrative Ministries/ Departments of loss making CPSEs in 2016-17. DPE had written to the respective administrative Ministries/ Departments for furnishing comments thereon. Department of Pharmaceuticals (in respect of IDPL,RDPL,HAL and BCPL), Department of Chemicals & Petrochemicals(in respect of Hindustan Organic Chemicals Limited and Hindustan Fluorocarbons Limited), Ministry of Railways (in respect of M/s Braithwaite & Co. Ltd ), Ministry of Coal(in respect of Bharat Coking Coal Ltd. and Western Coalfields Ltd.), Department of Heavy Industry(in respect of Hindustan Cables Ltd., Instrumentation Ltd., HMT Bearing Ltd., HMT Watches Ltd. and Tungbhadra

Steel Products Ltd.), Department of Defence Production (BEL-THALES Systems Ltd.) and Department of Fertilizers (about Projects and Development India Limited, Madras Fertilizers Ltd., Fertilisers And Chemicals Travancore Ltd.) have replied in this regard. The gist of the replies is given in Annexure-IX.

(B) a) DPE closure guidelines dated 14.6.2018 were prepared after inter-ministerial consultation with 53 Ministries/ Departments/Govt. bodies including Department of Expenditure, DEA, and DIPAM. As per the DPE closure guidelines issued on 14.6.2018, Land Management Agency (LMA) is the CPSE, such as NBCC/ EPIL is nominated by the administrative Ministry/ Department/ the Board of the CPSE under closure to manage, maintain and assist in disposal of land. The function of LMA are given in para 5 of the closure guidelines.

b) Further, the DPE closure guidelines issued on 14.6.2018 provides that in case, the CPSE is a subsidiary of another CPSE and if the assets are required by such holding company, the same may be transferred to the holding company at book value, in consultation with the State Government. Similarly, if assets are required by the administrative Ministry/ Department for its own use, the same may be transferred to it at book value. In respect of remaining assets, guidelines as mentioned in subsequent paras, i.e., 4.2 and 4.3 shall apply.

c) In the guidelines, priority has been provided for use of land of CPSEs under closure for affordable housing projects across the country, in case of its suitability for this purpose. The land identified for affordable housing shall undergo the process of disposal as per the guidelines of Ministry of Housing and Urban Affairs in this regard and the remaining land will be sold as per the priority given below to public authorities:

(i) Central Government departments
(ii) State Government departments
(iii) Central Government bodies/ CPSEs and State Government bodies/ PSEs.

d) In case of sale of land to Central or State PSEs/ Bodies/ Authorities, a limited bidding process may be adopted in a physical format or on e-platform. In case, no offer is received from the above, the disposal of immovable assets is to be done in a transparent process through the auctioning agency to any entity with the approval of competent authority.'

**28. The Committee note that despite the Government appointing NBCC/ EPIL as Land Management Agency (LMA) and their best efforts, properties of loss making CPSUs have not generated enough interest among potential buyers. Due to the delay or lack of interest among buyers, the loss making CPSUs are facing difficulties in meeting their liabilities. As per the information furnished by DPE in**

**Annexure –IX to their reply, sale of surplus land of IDPL and RDPL is yet to materialize. Similarly, the land of Burn Standard Company Ltd. of the Ministry of Railways, could not be disposed of due to restriction imposed by National Company Law Appellate Tribunal. Further, sale of land/properties of Hindustan Cables Limited, Instrumentation Limited are yet to materialize. The Committee desire that disposal/monetization of land assets of loss making CPSUs be fast-tracked so that closure of the loss making CPSUs can be done faster and their liabilities met at the earliest. However, the Committee observe that a large number of CPSUs were established quite at a distance from the main cities but due to fast urbanization, the cities got expanded and these CPSUs now are within the city limits andas a result thereof, the landed properties of these CPSUs have got richer valuation. Moreover, the land owned by the CPSUs are otherwise also their very precious fixed assets which has consistently seen upward market valuation and therefore the Committee reemphasize that Government should exercise extra care and caution when giving finality to the proposal for disposing/ monetizing land of loss making CPSUs as acquiring of land of such scale and at same/similar prime locations, in future, may not be possible either due to heavy cost associated with it or on account of non availability of land in these locations.**

*****

## CHAPTER II

## OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

### Overall Loss Scenario

**Recommendation (Sl. No. 1)**

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 comparisonagainst 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. (Page No.116-118 of the 24th Report of CoPU).

**Reply of the Government**

a) The concerns of the Committee have been brought to the notice of the concerned administrative Ministries/ Departments of CPSEs and also the CPSEs vide DPE OM dated 28.3.2019 to take note of the observations of the Committee and for taking appropriate measures for optimum utilization of their assets to generate earnings.

b) In this regard, Department of Atomic Energy has stated that the Return on Assets (RoA) of Nuclear Power Corporation of India Ltd. (NPCIL) was 4% in 2016-17 and 5 % in 2017-18. Efforts to improve the RoA is a constant endeavor at NPCIL. It is also stated that generally the RoA of power sector companies, irrespective of whether they are in the public sector or private sector tends to be relatively lower when compared to sectors like services, manufacturing, etc. due to the large asset base of infrastructure, plant and machinery, etc. required for power generation and the regulated electricity tariffs in the country.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises)
O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

**Need for shift in perspective**

**Recommendation (Sl. No. 2)**

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 theDPE 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 toprivate 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. (Page No.118-119 of the 24th Report of CoPU).

**Reply of the Government**

a) The Companies Act, 2013 has detailed provisions relating to corporate governance which are also applicable to CPSEs. DPE has also issued Guidelines on Corporate Governance for CPSEs from the year 2010. These guidelines cover issues such as composition of Boards, Audit Committee, Subsidiary companies, disclosure, Code of conduct and ethics, risk management and compliance. In order to ensure that principles of corporate governance are adhered to by CPSEs, DPE is grading CPSEs based on their compliance with Guidelines on Corporate Governance for CPSEs and has made it part of MoU evaluation exercise.

b) As per the existing provisions under Allocation of Business Rules and Transaction of Business Rules of Government of India, CPSEs function under the administrative control of line Ministries/ Departments who continuously monitor the performance of CPSEs for timely intervention, if required. Department of Public Enterprises acts as a nodal coordinating Department and issues broad policy guidelines on the matters of performance improvement and evaluation, autonomy and financial delegation and personnel management, etc. to bring about certain degree of uniformity among CPSEs. Besides DPE, all guidelines issued by other concerned Departments such as Department of Investment and Public Asset Management (DIPAM), Department of Economic Affairs (DEA) and NITI Aayog on various financial matters are also followed by CPSEs.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises) O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

(ii) 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 reengineering 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.(Page No.119 of the 24th Report of CoPU).

**Reply of the Government**

a) It is submitted that during address at CPSE Conclave held on 9th April, 2018, Hon‟ble Prime Minister had, *inter-alia*, posed five challenges to CPSEs, viz (i) maximizing geo-strategic reach of the CPSEs, (ii) minimizing import bill of the country, (iii) integration of innovation and research amongst CPSEs, (iv) CSR expenditure on single theme, and (v) new development model for the country. All CPSEs had been requested to prepare their Action Plans to address the challenges posed by Hon‟ble Prime Minister and other recommendations emerging from CPSE Conclave.

b) A meeting regarding review of action plan of CPSEs of 7 important sectors (Petroleum & Gas, Coal, Mines, Steel, Power, Heavy Industry & Defence Production) was held under the Chairmanship of Hon‟ble Prime Minister on 05.11.2018. In order to facilitate real-time uploading and monitoring of the progress of Action Plans of CPSEs at the concerned administrative Ministry/ Department level and above, DPE has developed a Dashboard and all the concerned Ministries/Departments and CPSEs have been asked to upload relevant information on this Dashboard through their respective nodal officers on a continuous basis. About 140 CPSEs have uploaded the status of fulfilment of targets proposed under respective action plans on the DRISHTI dashboard. A CoS meeting was held on 9.5.2019 to assess the status of implementation of action plans and decision points of the review meeting taken by the PM and broadly it has been decided that the action plans will continue to be monitored by the respective administrative Ministries/ Departments as well as CoS periodically.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises) O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

(iii) 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. (Page No.119 - 120 of the 24th Report of CoPU)

**Reply of the Government**

As the issue involved financial implications, D/o Expenditure and NITI Aayog had been consulted by DPE on the observations of the Committee.

a) The gist of the views of D/o Expenditure (DoE) is given below:

D/o Expenditure vide OM dated 19.3.2019 has stated that the initial action in this regard is to be taken by the administrative Ministry of PSU. The administrative Ministry is to submit proposal to the competent authority. DoE after examining the proposal conveys its views to the administrative Ministry. DoE‟s role in this case is limited to comments and recommendations on the proposals of the administrative Ministry.

Hence, it is evident from the comments of DoE that in such an eventuality, the concerned administrative Ministry has to formulate proposal for the approval of the competent authority in consultation with DoE.

b) The information from NITI Ayog is awaited. The Committee will be apprised on receipt of the reply from NITI Aayog.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises) O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

**Comments of the Committee**

(Please see para 7, 8 & 9 of Chapter I of the Report)

## Role of the government with regard to functioning of CPSUs

### Recommendation (Sl. No. 5)

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. (Page No.122-123 of the 24th Report of CoPU)

**Reply of the Government**

a) The observation of the Committee has been brought to the notice of the concerned administrative Ministries/ Department of loss making CPSEs vide DPE OM dated 21.1.2019 to take appropriate measures. Besides, NITI Aayog has also been informed on 21.1.2019 about the observation of the Committee. In this regard, the reply has been received from D/o Pharmaceuticals , M/o Railways , D/o Defence Production, M/o Health & Family Welfare, D/o Heavy Industry, Ministry of Home Affairs, Ministry of Coal, Department of Chemicals & Petrochemicals and Ministry of Steel. A gist of replies received is given in **Annex-II**

b) Besides above, as per the guidelines issued by DPE on 29.10.2015 on revival / restructuring of CPSEs, the administrative Ministries/ Departments concerned are responsible for monitoring the performance of CPSEs functioning under them and taking timely redressal measures/ formulation of plans for revival/ restructuring/ disinvestment/ closure of sick/ loss making CPSEs in consultation with stakeholders and after obtaining the approval of the competent authority, implement the plan.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises) O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

(ii) The Committee observe that the NITI Aayog in their submission mentioned thatGovernment 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 anticompetitive or monopolistic practices. (Page No. 123 of the 24$^{th}$ Report of CoPU).

**Reply of the Government**

a) The Boards of CPSEs comprise of (i) full time functional, (ii) part-time government and (iii) part-time non-official Directors. The Government has taken steps for professionalization of Boards of CPSEs which include, (a) laying down guidelines for appointment of requisite number of functional, government and non-official Directors on the Boards of CPSEs, (b) prescribing criteria in terms of age, educational qualifications and experience for persons to be considered for appointment as non-official Directors on the Boards of CPSEs. The prescribed criteria, inter-alia, provide that retired Government officials, ex-CMDs/ CEOs/ Directors of CPSEs, academicians/ Directors of Institute and Professors, Professionals of repute having relevant domain experience, former or serving CEOs/Directors of private companies and persons of eminence with proven track record from Industry, Business or Agriculture or Management are eligible to be considered for such appointment subject to fulfilment of laid down conditions/ procedure, (c) organizing orientation programmes for capacity building of non-official Directors of CPSEs, (d) capacity building of Government Directors of CPSEs which has been institutionalized through programmes being organized by Indian Institute of Corporate Affairs, etc.

b) On the observation of the Committee, views/ comments of Ministry of Power, Ministry of Development of North Eastern Region, Ministry of Steel, Ministry of Information & Broadcasting and Department of Fertilizers have been received which are at **Annex-III.** Both Ministry of Power and Ministry of Steel have apprised that the Board of CPSEs under their respective Ministries have experts in the technical fields pertaining to their area of operations so as to enhance the quality of decisions.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises) O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

**Case study of 12 identified CPSUs by the Committee**

**Recommendation (Sl. No. 7)**

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.<br>(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 | Both the units of HPCL are stopped for non-availability of |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | coal in Mizoram etc. | 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 |
| 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 netprofit of Rs. 30.19 crore during 2015-16 for the first time in 30 years. The Company has been taken over by NBCC w e f 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 | Financial restructuring package submitted to the Department of Fertilizers |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | time, closure of urea plant, non-operation of urea & caprolactam plant and working capital cost etc. | |
| 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. (Page No. 126-128 of the 24th Report of CoPU).

**Reply of the Government**

a) CPSEs operate under dynamic economic environment which creates challenging situations having a bearing on the performance. To address the challenges, CPSEs need to continuously respond by way of appropriate plans/ policy formulation and their timely implementation. CPSEs those did not evolve fast, lost ground. As the reasons for losses/ sickness in CPSEs vary from enterprises to enterprise, different strategies are required for revival. Therefore, no common strategy is applied to all the enterprises. Further, CPSEs are organized sectorally under the control of sectoral/ line Ministries. The study can be taken up by the sectoral Ministries, to address the losses/ sickness in respect of the CPSEs under their domain, if required, keeping in mind the problems faced by the particular sector. Accordingly, the observations of the Committee have been brought to the notice of concerned administrative Ministries/ Departments vide DPE OM dated 21.1.2019.

b) Besides above, it is also submitted that DPE, as a general policy making Department to all CPSEs, has issued guidelines on 29.10.2015 for streamlining the mechanism for revival and restructuring of sick/ incipient sick and weak CPSEs. These guidelines contain provisions for taking pro-active measures for ensuring efficient functioning of the CPSEs. The administrative Ministries/ Departments are responsible for monitoring the health of their respective CPSEs and take timely mid-course correction and other measures to arrest the sub-optimal performance of their CPSEs. The guidelines also provide principles on which administrative Ministries/ Departments shall draw revival/ restructuring plans of their CPSEs. These guidelines are to be implemented by the concerned administrative Ministries/ Departments.

c) The subsidiaries of CPSEs, if registered in India, are also categorized as CPSEs. The observations of the Committee regarding analyzing of the performance of the subsidiaries of loss making CPSUs have been brought to the notice of the concerned administrative Ministries/ Department of CPSEs vide DPE OM dated 21.1.2019 to take note of the observations of the Committee and take appropriate measures accordingly.

In this regard, the gist of the reply received from Ministry of Coal, Ministry of Railways, Ministry of Power, Ministry of Steel and Department of Fertilizers is given in **Annex-IV.**

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises)
O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

**AIR INDIA**

**Recommendation (Sl. No. 8)**

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 profitmaking 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. (Page No. 129-130 of the 24th Report of CoPU).

**Reply of the Government**

In this regard, reply received vide OM dated 29.3.2019 from Ministry of Civil Aviation is given below:

a) Keeping in view the fact that no bid was received for strategic disinvestment of Air India, Air India Specific Alternative Mechanism (AISAM), in its meeting held on 18th June 2018, had, inter alia, decided that once the global economic indicators including oil prices and the forex regime stabilize, the option of strategic disinvestment of Air India should be brought before AISAM, for deliberating the future course of action.

b) The debt & liabilities & Air India will be dealt with in accordance with the decisions taken during a meeting chaired by the Hon'ble Finance Minister which was held on 7th September 2018 on the subject, "The Plan for Operational and Financial Efficiency in Air India" in which, the following proposals were, inter alia, deliberated upon and approved:-

i) A total debt amounting to Rs 29,464 crore would be transferred from Air India Ltd to the Special Purpose Vehicle (SPV) viz Air India Assets Holding Co Ltd forthwith.

ii) Remaining debt and current net liability will remain with Air India. Debt allocation between AI and SPV to be revisited at a later date closer to disinvestment.

iii) A Cash Support of Rs 3975 crore to Air India, inclusive of Rs 1630 crore already infused in AI in the financial year of FY 2018-19.

iv) To provide a Govt. Guarantee of Rs 7600 crore, inclusive of Rs 3000 crore already provided to AI in FY 2018-19, to raise new debt for payment of stretched liabilities.

v) An additional amount of Rs 1300 crore to be provided to the SPV to meet the interest liability on the transferred debt.

vi) From FY 2019-20, the entire interest on the debt of Rs 29464 crore, transferred to the SPV, would be serviced by the Govt.

c) It is stated in this regard that a SPV namely Air India Asset Holding Limited had already been created on 22.01.2018 and the Union Cabinet, in its meeting held on 28.02.2019, has granted ex-post facto approval for creation of the same.

d) Further, regarding monetization of assets, it was decided in the above stated meeting that since transferring assets may involve other issues like stamp duty, the disposal of assets is to be done by MOCA/AI management. AI will open an escrow account to park the sale proceeds for paying debt transferred to SPV. It is stated in this regard that the assets of Air India are being monetized while they continue to be with Air India where all sale proceeds from monetization of assets are credited. These proceeds are utilized only to retire those debts that are proposed to be transferred to SPV.

e) It is further stated that the proposal for payment of Rs.1300/- crore to Air India Limited for repayment of loan has since been approved by Ministry of Finance and payment has been made to Air India Limited in Financial Year 2018-19.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises) O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

**Comments of the Committee**

(Please see para 12 &13 of Chapter I of the Report)

**Need for autonomy for efficient functioning of CPSUs**

**Recommendation (Sl. No. 11)**

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. (Page No. 134-135 of the 24th Report of CoPU).

**Reply of the Government**

a) The CPSEs are governed by their Boards which have complete authority for making decisions in respect of day-to-day functioning of respective companies. For example, the Boards are competent to make all appointments at below Board level and handle all HR related issues of below Board level employees. It has also to be appreciated that the CPSEs cannot be completely on the same footing as private sector companies as in the case of private sector companies, the promoters/owners of the company are usually also on the Boards of their companies. Moreover, unlike private companies, profit maximization is not the sole motive in the case of CPSEs. In the case of CPSEs, the Government is the majority owner of CPSEs‟ equity and the Government appoints Board level functionaries to run/manage the company on behalf of the Government. Therefore, the management of CPSEs cannot be expected to discharge ownership functions which should continue to be discharged by the Government, being majority shareholder.

b) The Government being the majority shareholder retains the right to undertake strategic decisions which have long term implications for the future of the company. It is also worthwhile to mention that CPSEs are funded by public money and it is essential to have a proper oversight mechanism with regard to management of CPSEs. Further, most of the CPSEs operate in critical areas of the economy such as Coal, Oil, Power, Atomic Energy, Defence Production, Fertilizers, etc. making it imperative that such CPSEs continue to follow laid down regulations, laws, etc. such as RTI, CVC guidelines, procurement guidelines, most of which are not applicable in the case of private companies.

c) The Government has also implemented Maharatna, Navratna and Miniratna schemes for CPSEs through which enhanced financial and operational powers have already been delegated to the Boards of these CPSEs in the areas of capital expenditure, investment in joint ventures/subsidiaries, entering technology joint venture or strategic alliances and to obtain by purchase or other arrangement technology and know-how, human resources development, raise debt from domestic and international markets, undertake mergers & acquisitions, etc. Subject to prescribed limits and conditions. Presently there are 8 Maharatna, 16 Navratna and 74 Miniratna CPSEs. Thus, it may be seen that the Government has delegated powers for even strategic decision making in some of the areas to the Boards of CPSEs.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises)
O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

**Outdated plants & machinery/obsolete technology**

**Recommendation (Sl. No. 12)**

Technology is one of the key issues while assessing a PSU. During the examination, the Committee noted that in several lossmaking 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. (Page No. 136-137 of the 24th Report of CoPU).

**Reply of the Government**

a) The observation of the Committee has been brought to the notice of concerned Ministries/ Departments of loss making CPSEs. As specific mention has been made about D/o Heavy Industry in the observation/ recommendation, the reply received from DHI in this regard is at **Annex-VI**. The reply received from others such as D/o Defence Production, Ministry of Health & Family Welfare, M/o Petroleum & Natural Gas, M/o Railways, M/o Civil Aviation, D/o Chemicals & Petrochemicals, Ministry of Coal, Ministry of Development of North Eastern Region, Ministry of Power, Ministry of Steel,Ministry of Information and Broadcasting and Department of Fertilizers is also given in the same **Annex-VI.**

b) The DPE guidelines dated 29.10.2015 issued on revival/ restructuring of CPSEs provide for engagement of expert agency by the government which has experience and expertise of technology of the sector in which such CPSE is functioning for preparation of the future road map of the CPSE. As per the guidelines, due emphasis shall be placed on the ability of the CPSE to adapt to new technology to assess its relevance and functioning. The guidelines provides that the business plan for revival/ restructuring of CPSEs inter alia be based on a road map for technology adoption/ upgradation in line with the business plan strategy for viability and sustainability over period of time. The guidelines provide for options for adopting requisite technology and up-gradation of the same as per requirement through various management options including JV, disinvestment or privatisation to be factored into the operational restructuring plan. The options of merger or de-merger of various operations in line with the proposed business plan to ensure continuous procurement of new technology and its up-gradation have also been provided under the guidelines.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises)
O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

**Diversification**

**Recommendation (Sl. No. 13)**

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. (Page No. 137-138 of the 24th Report of CoPU).

**Reply of the Government**

a) The observations of the Committee regarding the need for administrative Ministries to ensure requisite autonomy to the Boards of CPSUs to take decisions on diversification into new products/ avenues, have been brought to the notice of the concerned administrative Ministries/Department of CPSEs vide DPE OM dated 21.1.2019 to take note of the observations of the Committee and take appropriate measures accordingly.

b) The reply received from Ministry of Railways,Ministry of Health & Family Welfare, D/o Defence Production, D/o Heavy Industry, Ministry of Coal, Ministry of Power, Department of Chemicals & Petrochemicals, Ministry of Steel,Ministry of Information and Broadcasting and Department of Fertilizers on this recommendationis compiled and given in Annex-VII.

c) The Government has also implemented Maharatna, Navratna and Miniratna schemes for CPSEs through which enhanced financial and operational powers have already been delegated to the Boards of these CPSEs in the areas of capital expenditure, investment in joint ventures/ subsidiaries, entering technology joint venture or strategic alliances and to obtain by purchase or other arrangements technology and know-how, human resources development, raise debt from domestic and international markets, undertake mergers & acquisitions, etc. subject to prescribed limits and conditions.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises) O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

**Manpower issues**

**Recommendation (Sl. No. 14)**

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.* (Page No.138 of the 24th Report of CoPU).

**Reply of the Government**

DPE has forwarded the Committee‟s, observation to all the administrative Ministries/ Departments for compliance of the same by CPSEs on 7th February, 2019. Besides this, the wage revision policy effected by DPE at periodical intervals also provides for „Performance linked Pay‟, which is linked to profit made by a CPSE to keep the employees motivated.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises) O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

**Delay in payment of dues/VRS packages**

**Recommendation (Sl. No. 15)**

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 nonreceipt 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.(Page No. 139-140 of the 24th Report of CoPU).

**Reply of the Government**

a) DPE has issued detailed guidelines on 14th June, 2018 on time bound closure of sick/ loss making CPSEs and disposal of movable and immovable assets. These guidelines, inter-alia, provide that in the event of closure, the VRS/VSS package will be worked out at 2007 notional pay scales (irrespective of the fact that CPSEs could be in pre-revised pay scale of 1997 or 1992 etc.). Further, the estimation of financial requirement for such a package for payment of wage/salary etc. will be worked out in a time bound manner by the concerned administrative Ministry/ Department/ CPSE and the details of the same will be included in the Cabinet Note for seeking budgetary grant from the Government of India. Further, time lines have also been prescribed for the M/o Finance, D/o Expenditure to release the funds to meet the above estimated requirement of funds once the Cabinet decision has been taken for closure of a CPSE. Anoversight committee at the level of NITI Aayog has also been provided in the guidelines to monitor the status of closure of CPSEs and steps involved in the same. In respect of HMT, IL, HAL, IDPL and other CPSEs for which decision have been taken for closure, the details of pending dues of employees have been sought from the concerned administrative Ministry/ Department vide OM No. CRR/02/13/0024/2014-JS(VRS) dated 7.2.2019.

b) The observation of the Committee has also been brought to the notice of concerned Ministries/ Departments of loss making CPSEs. The reply received from D/o Pharmaceuticals, D/o Commerce, Ministry of Environment, Forest and Climate Change, Ministry of Health & Family Welfare, M/o Petroleum & Natural Gas, Ministry of Railways, Ministry of Tourism, D/o Heavy Industry, M/o Civil Aviation, D/o Chemicals & Petrochemicals, Ministry of Coal, Ministry of Development of North Eastern Region,Ministry of Power, Ministry of Steel,Ministry of Information and Broadcasting and Department of Fertilizers has been compiled under**Annex-VIII**.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises)O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

**Comments of the Committee**

(Please see para 21 of Chapter I of the Report)

**Surplus land and asset sale of loss-making PSUs through NBCC**

**Recommendation (Sl. No. 17)**

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 lossmaking 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 steadily 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 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. (Page No.141-142 of the 24th Report of CoPU).

**Reply of the Government**

This observation/ recommendation of the Committee relates to administrative Ministries/ Departments of loss making CPSEs in 2016-17. DPE had written to the respective administrative Ministries/ Departments for furnishing comments thereon. Department of Pharmaceuticals ( in respect of IDPL,RDPL,HAL and BCPL), Department of Chemicals & Petrochemicals(in respect of Hindustan Organic Chemicals Limited and Hindustan Fluorocarbons Limited), Ministry of Railways (in respect of M/s Braithwaite & Co. Ltd ), Ministry of Coal(in respect of Bharat Coking Coal Ltd. and Western Coalfields Ltd.), Department of Heavy Industry(in respect of Hindustan Cables Ltd., Instrumentation Ltd., HMT Bearing Ltd., HMT Watches Ltd. and Tungbhadra Steel Products Ltd.), Department of Defence Production (BEL-THALES Systems Ltd.) and Department of Fertilizers (about *Projects and Development India Limited*, Madras Fertilizers Ltd., Fertilisers And Chemicals Travancore Ltd.) have replied in this regard. The gist of the replies is given in **Annex-IX**.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises)
O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

(ii) 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. (Page No. 143 of the 24$^{th}$ Report of CoPU).

## Reply of the Government

a) DPE closure guidelines dated 14.6.2018 were prepared after inter-ministerial consultation with 53 Ministries/ Departments/Govt. bodies including Department of Expenditure, DEA, and DIPAM. As per the DPE closure guidelines issued on 14.6.2018, Land Management Agency (LMA) is the CPSE, such as NBCC/ EPIL is nominated by the administrative Ministry/ Department/ the Board of the CPSE under closure to manage, maintain and assist in disposal of land. The function of LMA are given in para 5 of the closure guidelines.

b) Further, the DPE closure guidelines issued on 14.6.2018 provides that in case, the CPSE is a subsidiary of another CPSE and if the assets are required by such holding company, the same may be transferred to the holding company at book value, in consultation with the State Government. Similarly, if assets are required by the administrative Ministry/ Department for its own use, the same may be transferred to it at book value. In respect of remaining assets, guidelines as mentioned in subsequent paras, i.e., 4.2 and 4.3 shall apply.

c) In the guidelines, priority has been provided for use of land of CPSEs under closure for affordable housing projects across the country, in case of its suitability for this purpose. The land identified for affordable housing shall undergo the process of disposal as per the guidelines of Ministry of Housing and Urban Affairs in this regard and the remaining land will be sold as per the priority given below to public authorities:
(i) Central Government departments
(ii)State Government departments
(iii)Central Government bodies/ CPSEs and State Government bodies/ PSEs.

d) In case of sale of land to Central or State PSEs/ Bodies/ Authorities, a limited bidding process may be adopted in a physical format or on e-platform. In case, no offer is received from the above, the disposal of immovable assets is to be done in a transparent process through the auctioning agency to any entity with the approval of competent authority.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises) O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

**Comments of the Committee**

(Please see para 28 of Chapter I of the Report)

**Recommendation (Sl. No. 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. (Page No. 143-144 of the 24th Report of CoPU).

**Reply of the Government**

a) Department of Investment and Public Asset Management (DIPAM) was requested for giving its views in this regard. Regarding giving autonomy "to the CPSUs 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",DIPAM has informed on 26.4.2019 that the Cabinet in its meeting on 28th February, 2019 has approved procedure and mechanism for Asset Monetization for CPSEs/PSUs/other Government Organizations and Immovable Enemy Properties. The aim of putting this framework in place is that assets belonging to Central Public Sector Enterprises (CPSEs)/Public Sector Undertakings (PSUs)/other Government Organizations and of Immovable Enemy Property, which hold a huge potential for wealth generation for overall economic development of the country should be appropriately monetized over a period of time. This Policy framework, inter alia, lays down the institutional framework for monetization of identified non-core assets of CPSES under strategic disinvestment. Moreover, any sick/loss making CPSEs can also adopt this framework with the approval of competent authority. As per DIPAM, the amount received by GoI from assets monetization will be counted as disinvestment proceeds. DIPAM has further stated that the comments of CoPU have been noted. The observations have already been incorporated within the approved framework.

b) The receipts of disinvestment are credited to National Investment Fund (NIF). The NIF is utilized for the purposes viz. (a) Subscribing to the shares being issued by the CPSEs on rights basis, so as to ensure that 51% ownership of the Government in CPSEs is not diluted. (b) Preferential allotment of shares of the CPSE to promoters as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 so that Government shareholding does not go down below 51% in all cases where the CPSE is going to raise fresh equity to meet their Capex program. (c) Recapitalization of public sector banks and public sector insurance companies so as to strengthen them through further capital infusion towards achieving the Basel III norms. (d) Investment by Government in RRBs/IIFCL/ NABARD/Exim Bank; (e) Equity infusion in various Metro projects; (f) Investment in Bhartiya Nabhikiya Vidyut Nigam Limited and Uranium

Corporation of India Ltd. and (g) Investment in Indian Railways towards capital expenditure.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises) O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

## CHAPTER III

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT"S REPLIES

- Nil -

## CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

### Delay in cash & support and other approvals by the Government

#### Recommendation (Sl. No. 10)

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. (Page No. 132-133 of the 24$^{th}$ Report of CoPU).

#### Reply of the Government

In this regard, Department of Heavy Industry has intimated on 20.3.2019 that whenever any proposal for financial support/ investment etc. is received from CPSEs, the Department follows the timeline stipulated for Expenditure Finance Committee (EFC) / Cabinet approval. At times, inter-ministerial consultations may take some time, but the status of such important proposals is monitored in the weekly Senior Officers Meeting (SOM) in DHI. All efforts are made for speedy disposal of such proposals. As far as Instrumentation Limited is concerned, the Kota Unit of the company has already been slated for closure and process of closure is in full swing. Payment of salary, wages, VRS/VSS and other dues of all employees of Kota Unit has been completed, except for 7 employees. The Palakkad Unit of the company is being transferred to Kerala Government.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises) O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

(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. (Page No. 133 -134 of the 24th Report of CoPU).

**Reply of the Government**

a) As the observations of the Committee pertain to CPSEs under D/o Fertilizers (DoF) and D/o Telecommunications (DoT), DPE has sought the views of these Departments alongwith D/o Heavy Industry which has many loss making CPSEs functioning under it.

b) Department of Fertilizers has informed about the efforts made in this regard. The details are given in **Annex- V**. Information from Department of Telecommunications (DoT) is awaited on this issue. The response of DoT will be communicated to the Committee as soon as it is received.

c) On this matter, Department of Heavy Industry has intimated on 20.3.2019 that whenever any proposal for financial support/ modernisation etc. is received from CPSEs, the Department follows the timeline stipulated for Expenditure Finance Committee (EFC) / Cabinet approval. At times, inter-ministerial consultations may take some time, but the status of such important proposals is monitored in the weekly Senior Officers Meeting (SOM) in DHI. All efforts are made for speedy disposal of such proposals.

d) To expedite the decision making and to streamline the multiple mechanisms with respect to revival/ restructuring sick/ loss making CPSEs, the Government wound up Board for Reconstruction of Public Sector Enterprises (BRPSE) in November, 2015. Subsequent to the decision of the Government (7.10.2015) for winding up of BRPSE, DPE has issued guidelines on 29.10.2015 on “Streamlining the mechanism for revival and restructuring of sick/ incipient sick and weak Central Public Sector Enterprises”. As per the guidelines, the concerned administrative Ministry/ Department is now responsible to monitor sickness of CPSEs functioning under them and take timely redressal measures for revival/ restructuring/ disinvestment of sick/ loss making CPSEs with the approval of the competent authority.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises) O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

**Comments of the Committee**

(Please see para 16, 17&18 of Chapter I of the Report)

**CRR Scheme of DPE**

**Recommendation (Sl. No. 16)**

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 employmentopportunities 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 lossmaking 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. (Page No. 140-141 of the 24$^{th}$ Report of CoPU).

**Reply of the Government**

a) Prior to 2016-17, CRR Scheme was implemented by Nodal Agencies through Employees Assistance Centres (EACs) in various parts of the country. Ministry of Skill Development & Entrepreneurship (MSDE) on 15.7.2015 notified Common Norms in order to bring about uniformity and standardization in the implementation of various Skill Development Schemes by different Central Ministries / Departments.

b) Accordingly, with a view to broaden the network of Training Providers and also to follow standardized methodology of training, design and delivery, CRR Scheme is being now implemented in collaboration with National Skill Development Corporation (NSDC) under Ministry of Skill Development & Entrepreneurship (MSDE). Training is imparted to VRS optees/their dependents as per common norms of NSDC.

c) NSDC being a facilitator ensures that all training programmes are as per Qualification Pack(QP) / National Occupational Standard(NOS), standards set forth by the Sector Skills Council(SSC) resulting in certification as per certification standards. National Occupational Standards (NOS) specify the standard of performance, knowledge and understanding when carrying out a particular activity in the workplace, while Qualification Pack (QP) is a set of NOSs, aligned to a job role available in each industry sector. This also helps in augmenting redeployability under the CRR Scheme.

d) Earlier, benefit of the CRR Scheme was available to VRS optees only. Now, the benefit of the scheme can be extended to the dependent of VRS optee in case the later does not want to avail the scheme. Such an amendment has also broadened the coverage as well as opportunities of redeployment under CRR because of faster learning and acquisition of skills in the younger generation. Further, while micro credit and financing in case of trained VRS optees for self-employment is challenging, it is comparatively easier in case of dependents.

e) The target group of the CRR scheme is very unique and distinct from other skill development schemes of the Government. Mostly, VRS/VSS optees are above 50 years of age. Given the typical target group, the redeployment under the CRR Scheme is a challenge. However, it is being continuously followed up with NSDC for undertaking long duration intensive training programmes as well as residential training programmes under CRR Scheme to enhance redeployment percentage.

f) With regard to Committee‟s recommendations to include contractual employees of CPSEs, it may be submitted that as per the extant policy, CRR scheme is applicable to only those employees of CPSEs who are eligible and separated under VRS/VSS and it may not be feasible to cover contractual employees under the CRR Scheme as such.

g) Further, as mentioned in reply to point 15 earlier, in order to make VRS/VSS package more remunerative, the guidelines dated 14.06.2018 issued by DPE stipulate that for CPSEs under closure, the VRS/VSS package will be worked out at 2007 notional pay scales (even if that CPSE could be in the pre-revised pay scale of 1997 or 1992 etc.). Availing skill training benefits of the CRR Scheme is an add-on benefit to the employee or his/her dependent.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises)
O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

**Comments of the Committee**

(Please see para 24 & 25 of Chapter I of the Report)

## CHAPTER V

OBSERVATIONS/RECOMMENDATIONS TO WHICH THE GOVERNMENT HAVE FURNISHED INTERIM REPLIES

**Previous Report of CoPU on the subject: response of DPE**

**Recommendation (Sl. No. 3)**

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. (Page No.120-121 of the 24$^{th}$ Report of CoPU).

**Reply of the Government**

DPE has furnished reply vide OM No. DPE/6(160)/2018-Fin dated 28.2.2019 to the Lok Sabha Secretariat for apprising the Committee in this regard. A copy of the same is enclosed at **Annex-I.**

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises)
O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

**Role of NITI AAYOG**

**Recommendation (Sl. No. 4)**

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. (Page No.121-122 of the 24th Report of CoPU).

**Reply of the Government**

As the issue relates to NITI Aayog, DPE has sought the views of it. Information is awaited from NITI Aayog. The Committee will be apprised on receipt of the reply from NITI Aayog.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises)
O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

**Strategic disinvestment of CPSUs**

**Recommendation (Sl. No. 6)**

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 quasisovereign 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. (Page No. 124-125 of the 24th Report of CoPU)

**Reply of the Government**

a) As the issue relates to NITI Aayog and DIPAM, views of the Department/ Govt. body were sought. DIPAM has informed vide OM dated 26.4.2019that in the ongoing cases of strategic disinvestment, NITI Aayog has been mandated to identify the CPSEs for strategic disinvestment. Criteria for identification of CPSEs for Strategic Disinvestment is not based on profitability. NITI Aayog has classified CPSEs 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 CPSEs falling under "low priority" are covered for strategic disinvestment.

b) The reply from NITI Aayog in this regard is awaited. The Committee will be appraised on receipt of the reply from NITI Aayog.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises)
O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

**Merger/takeover of sick PSUs (MTNL & BSNL)**

**Recommendation (Sl. No. 9)**

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 shareholding 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. (Page No. 130-132 of the 24th Report of CoPU).

**Reply of the Government**

As the issue relates to D/o Telecommunication (DoT) and DIPAM, DPE sought the views of these Departments.

a) DIPAM vide OM dated 26.4.2019 on the observation of the Committee regarding CoPU‟s caution particularly in the context of merger of two biggest loss making CPSUs, MTNL and BSNL, has stated that DIPAM has not received any recommendation for merger of MTNL and BSNL. DIPAM has further stated that NITI Aayog, in its fifth tranche has made the following recommendation w.r.t. MTNL:

> “ NITI Aayog notes that it would be difficult to strategically disinvest MTNL in its present condition given that it was saddled with huge losses, a big debt

burden and a large workforce. NITI Aayog's recommendation for MTNL is as follows. First, it is recommended that the function of providing secure communications to Lutyens Delhi should be hived off from MTNL and it should be run as a vertical of the DoT. Second, it is recommended that MTNL must immediately exit its investments in Mauritius and Nepal. Third, MTNL should hive off its tower business and strategically disinvest that business entity. What remains in MTNL should be closed down. The Department of Telecom may present a strategy along these lines to NITI Aayog and DIPAM/CGD within 30 days."

b) The reply from Department of Telecommunications (DoT) is yet to be received. On receipt of reply from DoT, the Committee will be apprised.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises) O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

**Recommendation (Sl. No. 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. (Page No. 143 of the 24$^{th}$ Report of CoPU).

**Reply of the Government**

As per the information available with DPE, 19 sick/ loss making CPSEs / their units have been approved for closure. The details of proceeds from monetization of assets of loss making CPSEs will be available with the administrative Ministries/ Departments of these CPSEs. The observation of the Committee has been brought to the notice of concerned Ministries/ Departments of 19 loss making CPSEs/ units of CPSEs approved for closure by the Government. The information received from D/o Commerce, M/o Railways, D/o Pharmaceuticals, Ministry of Environment, Forest and Climate Change, D/o Heavy Industry and D/o Chemicals and Petrochemicals in this regard is given in **Annex-X**. The response in this regard, when received from the remaining Ministries/ Departments, the Committee will be apprised.

Further, as per the guidelines issued on 8.3.2019 by DIPAM regarding asset monetization of CPSEs, the amount received by GoI from asset monetization will be counted as disinvestment proceeds. In the case of identified non-core assets of the CPSEs under strategic disinvestment and divestment of the Enemy Properties in the custody of the CEPI, 100% of the proceeds of the monetization will be treated as disinvestment proceeds.

[Ministry of Heavy Industry and Public Enterprises (Department of Public Enterprises) O.M. No. DPE/6(160)/2018-Fin dated 11.06.2019]

| | |
|---|---|
| **New Delhi;** | **MEENAKASHI LEKHI** |
| **7 January, 2021** | **Chairperson** |
| **17 Pausha, 1942 (S)** | **Committee on Public Undertakings** |

**3. PREVIOUS REPORT OF COPU ON THE SUBJECT: RESPONSE OF DPE**
**Observation of the Committee Serial No.3 of 24th Report**

**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.***
**(Page No.120-121 of the 24th Report of CoPU).**

**Reply of the Government**

In order to address the problem of sickness among CPSEs, the Government had set up the erstwhile BRPSE in 2004, inter alia, to address the issue of reviving and restructuring of sick CPSEs. However, the recommendations of BRPSE were advisory in nature and the final decision regarding their acceptance rested with the administrative Ministries/ Departments. Based on the recommendations of BRPSE, the Government had approved revival of 47 CPSEs and closure of 9 CPSEs during its existence envisaging total fund/ non-fund based assistance of Rs.41727 crore (cash assistance of Rs.11135 crore and non-cash assistance of Rs.30592 crore). Details are given in Annex. Later on in 2015, in order to further streamline the multiple mechanisms for revival of sick CPSEs, the BRPSE was wound up in November, 2015 as per the decision of the Government dated 7.10.2015.

To streamline the process of revival/ restructuring of CPSEs, DPE issued guidelines on 29.10.2015. These guidelines laid down the criteria for classification of a CPSE as sick, incipient sick and weak and also outlined the timely redressal measures which were to be taken by the Ministry/ Department in this regard. As per the guidelines, administrative Ministries were required to oversee the performance/ health of its CPSEs. Based on this assessment, the administrative Ministry was required to initiate the process for preparation of revival/ restructuring plans of sick/ incipient sick CPSEs based on the principles given in the guidelines.The Ministries are also responsible for the implementation of these plans after approval of the competent authority. The main objective of these guidelines was to ensure timely intervention by the administrative Ministries to effectively counter sickness of their CPSEs. DPE is a policy laying Department and the onus of implementation of these guidelines lies with the concerned administrative Ministry/ Department.

As per the available information in DPE, the Government on 21.5.2015 has approved the financial restructuring of Brahmaputra Valley Fertilizer Corpn. Ltd. (BVFCL) and setting up of a new brown field Ammonia-Urea complex at Namrup through Joint Venture. Government has also approved on 25.5.2016 the financial restructuring of Hindustan Steelwork Construction Ltd. and its takeover by NBCC (India) Ltd. In case of Konkan Railway Corporation Ltd., Government has sanctioned 2nd financial restructuring on 15.12.2017 to improve the networth of the Company. Further, the Government has approved on 3.10.2018 in case of NEPA Ltd. budgetary support for revival and mill development plan (RMDP), etc. and disinvestment of the company on RMDP completion.

As regard the observation of the Committee, it is submitted that these were received in DPE on 22.12.2017 with a request to furnish replies by 1.1.2018. Since, these related to many Ministries, the same were circulated to them for their inputs. Observation at Para 19 of Chapter 1 of the 1st Report of CoPU (1998-99) relating to investment in CPSEs was sent to NITI Aayog, DIPAM / D/o Expenditure on 27.12.2017/ 29.12.2017 for comments/ views. They were reminded again on 29.12.2017/3.1.2018 to expedite the replies. However, till finalization of DPE‟s reply on the Committee‟s observations, the response of DoE and NITI Aayog on para19 was not received. Accordingly, in order to avoid delay, it was decided to send the reply to remaining parts of the recommendations made in the 1st report of the CoPU alongwith requests to the defaulting Ministry/ Government organization to send their part of the reply/ comments to Lok Sabha Secretariat directly under intimation to DPE. There was no lack of interest on the part of DPE but it was done to ensure expeditious furnishing of replies to the Lok Sabha Secretariat.

Accordingly, DPE replied to Lok Sabha Secretariat on 11.1.2018 wherein, the views/ comments of the other Ministries consulted namely D/o Fertilizers, DIPAM and Divisions of DPE were included and further reminders were issued to D/o Expenditure and NITI Aayog on 11/ 16.1.2018 to send their part of the reply/ comments to Lok Sabha Secretariat directly under intimation to DPE. This factual matter was brought out by DPE in the ATR, while furnishing DPE‟s reply. It is also emphasized that DPE had made sincere efforts to reply to the recommendations of CoPU. Recommendations of CoPU are processed in DPE with due diligence and reply is prepared in consultation with the other stakeholders in a time bound manner.

As the reply of NITI Aayog and D/o Expenditure has still not been received, DPE has again requested them on 21.2.2019 to give their comments on the observations of the Committee on Public

Undertakings made at para 19 of the 1st Report by 25th February, 2019. The information is still awaited. The Committee will be apprised as soon as reply is received from them.

***

## CASH AND NON-CASH ASSISTANCE APPROVED BY THE GOVERNMENT/HOLDING COMPANIES

| S. No. | Name of the Administrative Ministry/Department/ CPSE | Date of approval of the Government | Broad gist of the approval of the Government | Assistance approved (Rs. in Crore) | | |
|---|---|---|---|---|---|---|
| | | | | Cash [a] | Non-Cash [b] | Total |
| | **Department of Heavy Industry** | | | | | |
| 1 | Hindustan Salts Ltd. | 4.5.2005 | Revival as a PSE. The feasibility of forming a joint venture company for the management of salt factory may also be considered by D/o Heavy Industry. | 4.28 | 73.30 | 77.58 |
| 2 | Bridge & Roof Co. (India) Ltd. | 25.8.2005 | Revival as a PSE | 60.00 | 42.92 | 102.92 |
| 3 | BBJ Construction Co. Ltd. | 16.6.2005 | Revival as a PSE | -- | 54.61 | 54.61 |
| 4 | HMT Bearings Ltd.* | 29.12.2014 | Closure | 7.40 | 43.97 | 51.37 |
| 5 | Praga Tools Ltd. | 20.10.2005 | Revival through financial restructuring and merger with HMT Machine Tools Ltd. | 5.00 | 209.71 | 214.71 |
| 6 | Heavy Engineering Corporation Ltd. | 15.12.2005 | Revival as a PSE | 102.00 | 1116.30 | 1218.30 |
| 7 | Cement Corporation of India Ltd. | 9.3.2006 | Revival as a PSE. Closure of non-operating units and. Revival of 3 operating units. | 184.29 | 1267.95 | 1452.24 |
| 8 | Richardson & Cruddas(1972) Ltd. | 9.3.2006 | Revival through Joint Venture/disinvestment | - | - | - |
| 9 | Tungabhadra Steel Products Ltd.* | 29.12.2014 | Closure | - | - | - |
| 10 | Bharat Pumps and Compressors Ltd. | 7.12.2006 | Revival as a PSE | 3.37 | 153.15 | 156.52 |
| 11 | HMT Machine Tools Ltd. | 1.2.2007/ 28.2.2014 | Revival through financial restructuring and JV formation with majority shareholding being held by JV partner | 859.04 | 196.38 | 1055.42 |
| 12 | Bharat Heavy Plate Vessels Ltd. | 26.11.2007 | Revival through financial restructuring & takeover by BHEL | 34.00 | 665.61 | 699.61 |
| 13 | Andrew Yule & Co. Ltd. | 22.2.2007 | Revival as a PSE | 87.06 | 458.14 | 545.20 |
| 14 | Instrumentation Ltd. | 11.2.2009 | Revival as a PSE | 48.36 | 549.36 | 597.72 |
| 15 | Tyre Corporation of India Ltd. | 19.4.2007/ 6.11.2008 | Revival through Joint Venture/disinvestment | -- | 815.59 | 815.59 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 16 | NEPA Ltd. | 6.9.2012 | Revival as a PSE | 234.18 | 634.94 | 869.12 |
| 17 | Scooters India Ltd. | 31.1.2013 | Revival as a PSE | 90.38 | 111.58 | 201.96 |
| 18 | HMT Ltd. | 18.4.2013 | Revival as a PSE | 447.92 | 635.56 | 1083.48 |
| 19 | Bharat Ophthalmic Glass Ltd. | 16.6.2006 | Closure | 9.80 | -- | 9.80 |
| 20 | Bharat Yantra Nigam Ltd. | 11.10. 2007 | Closure | 3.82 | 7.55 | 11.37 |
| 21 | Hindustan Photo Films Manufacturing Company Ltd. | 28.2.2014 | Closure | 181.54 | -- | 181.54 |
| 22 | HMT Watches Ltd. | 29.12.2014 | Closure | -- | -- | -- |
| 23 | HMT Chinnar Watches Ltd. | 29.12.2014 | Closure | -- | -- | -- |
| 24 | Hindustan Cables Ltd. | 29.12.2014 | Closure | -- | -- | -- |
| | **Ministry of Mines** | | | | | |
| 25 | Hindustan Copper Ltd. | 26.6.2007 | Revival as a PSE | -- | 612.94 | 612.94 |
| 26 | Mineral Exploration Corporation Ltd. | 27.7.2006 | Revival as a PSE | - | 104.64 | 104.64 |
| | **Ministry of Shipping** | | | | | |
| 27 | Central Inland Water Transport Corporation Ltd. | 1.12.2005 | Revival through Joint Venture/disinvestment . | 73.60 | 280.00 | 353.60 |
| 28 | Hooghly Dock &Port Engineers Ltd. | 13.10.2011 | Revival through Joint Venture. | 286.81 | 631.30 | 918.11 |
| | **Department of Defence Production** | | | | | |
| 29 | Hindustan Shipyard Ltd. | 24.12.2009/ 23.3.2011 | Revival through financial restructuring & transfer from M/o Shipping to M/o Defence | 452.68 | 372.22 | 824.90 |
| | **Ministry of Steel** | | | | | |
| 30 | MECON Ltd. | 8.2.2007 | Revival as a PSE | 93.00 | 23.08 | 116.08 |
| 31 | Bharat Refractories Ltd. | 24.4.2008 | Revival through financial restructuring & merger with SAIL | -- | 479.16 | 479.16 |
| | **Ministry of Textiles** | | | | | |
| 32 | National Textile Corporation Ltd. | 2.5.2005 | Revival as a PSE. Revival of 22 mills as PSE units and handing over 2 mills to Government of Pondicherry. | 39.23 | - | 39.23 |
| 33 | British India Corporation Ltd. | 9.6.2011 | Revival as a PSE | 338.04 | 108.93 | 446.97 |
| 34 | National Jute Manufactures Corporation Ltd. | 19.3.2010/ 25.11.2010 | Running of Kinnison & Khardah in West Bengal and Rai Bahhadur Hadrut Mill, Katihar in Bihar by NJMC and closure of remaining three mills, i.e. National, Union and Alexendra. | 517.33 | 6815.06 | 7332.39 |
| | **Department of Pharmaceuticals** | | | | | |
| 35 | Hindustan Antibiotics Ltd. | 9.3.2006 | Revival as a PSE | 137.59 | 267.57 | 405.16 |
| 36 | Bengal Chemicals | 21.12.2006 | Revival as a PSE | 207.19 | 233.41 | 440.60 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | &Pharmaceuticals Ltd. | | | | | |
| | **Department of Chemicals & Petrochemicals** | | | | | |
| 37 | Hindustan Organic Chemicals Ltd. | 9.3.2006 | Revival as a PSE | 250.00 | 110.46 | 360.46 |
| 38 | Hindustan Fluorocarbons Ltd. | 20.07.08 | Revival as a PSE by its Holding Company | 12.53 | 56.52 | 69.05 |
| 39 | Hindustan Insecticides Ltd. | 27.7.2006 | Revival as a PSE | - | 267.29 | 267.29 |
| | **Department of Fertilizers** | | | | | |
| 40 | Fertilizers & Chemicals (Travancore) Ltd. | 30.3.2006 | Revival as a PSE | - | 670.37 | 670.37 |
| 41 | Brahmaputra Valley Fertilizer Corpn. Ltd. | 21.5.2015 | Financial restructuring and setting up of a new brown field Ammonia-Urea complex at Namrup within the existing premises of BVFCL through Joint Venture | -- | 588.16 | 588.16 |
| | **Department of Scientific & Industrial Research** | | | | | |
| 42 | Central Electronics Ltd. | 3.8.2006 | Revival as a PSE | - | 16.28 | 16.28 |
| | **Department of Agriculture & Co-operation** | | | | | |
| 43 | State Forms Corporation of India Ltd. | 3.1.2008 | Revival as a PSE | 21.21 | 124.42 | 145.63 |
| | **Ministry of Railways** | | | | | |
| 44 | Konkan Railway Corporation Ltd. | 4.12.2008 | Revival as a PSE | 857.05 | 3222.46 | 4079.51 |
| 45 | Bharat Wagon &Engineering Company Ltd. | 26.6.2008/ 7.2.2008/ 2.7.2009 | Revival through financial restructuring & transfer to M/o Railways | 59.45 | 136.08 | 195.53 |
| 46 | Braithwaite & Company Ltd. | 29.12.2005 | Revival through financial restructuring & transfer to M/o Railways | 4.00 | 280.21 | 284.21 |
| 47 | Burn Standard Company Ltd. | 10.6.2010 | Transfer of (i) Refractory unit at Salem to SAIL under M/o Steel and (ii) administrative control of BSCL (excluding Refractory unit at Salem) to M/o Railways on “as is where is” condition with financial restructuring. | 75.43 | 1139.16 | 1214.59 |
| | **Ministry of Water Resources** | | | | | |
| 48 | National Projects Construction Corporation Ltd. | 26.12.2008 | Revival as a PSE | -- | 646.89 | 646.89 |
| | **Ministry of Housing & urban Poverty Alleviation** | | | | | |
| 49 | Hindustan Prefab Ltd. | 20.8.2009 | Revival as a PSE | -- | 128.00 | 128.00 |
| | **Ministry of Information & Broadcasting** | | | | | |
| 50 | National Film Development | 16.9.2010 | Revival as a PSE | 3.00 | 28.40 | 31.40 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Corporation Ltd. | | | | | |
| | **Ministry of Petroleum & Natural Gas** | | | | | |
| 51 | Biecco Lawrie Ltd. | 25.4.2011 | Revival as a PSE | -- | 59.60 | 59.60 |
| | **Ministry of Development of North Eastern Region** | | | | | |
| 52 | North Eastern Handicrafts and Handlooms Development Corporation Ltd. | 21.2.2013 | Revival as a PSE | 8.50 | 83.06 | 91.56 |
| | **Department of Telecommunications** | | | | | |
| 53 | ITI Ltd. | 12.2.2014 | Revival as a PSE | 3986.00 | 170.79 | 4156.79 |
| | **Ministry of Coal** | | | | | |
| 54 | Eastern Coal Fields Ltd. | 5.10.2006 | Revival as a PSE by its Holding Company | -- | 2470.77 | 2470.77 |
| 55 | Bharat Coking Coal Ltd. | 25.2.2010 | Revival as a PSE by its Holding Company | 1350.00 | 3428.55 | 4778.55 |
| | **Department of Commerce** | | | | | |
| 56 | STCL Ltd. | 13.8.2013 | Closure | -- | **--** | **--** |
| | **Total** | | | **11135.08** | **30592.40** | **41727.48** |

a Cash Assistance involve budgetary support through equity/loan/grants

b Non-cash Assistance involve waiver of interest, penal interest, GOI loan, Guarantee fee, conversion of loan into equity/debentures etc.

* Earlier approved for revival, now approved for closure.

***

*ANNEXURE-II*

**POINT N0. 5. (i): ROLE OF THE GOVERNMENT WITH REGARD TO FUNCTIONING OF CPSUs-**Gist of views/ comments received from Ministries/ Departments with respect to loss making CPSEs functioning under them**.**

**D/o Pharmaceuticals:** D/o Pharmaceuticals has informed that in the pharmaceutical sector, the private sector is well developed and able to supply medicines for domestic market and is a big exporter too. As such, the Government has taken a decision to close/disinvest pharma CPSUs.

**M/o Railways:** Cabinet has approved closure of Burn Standard Co. Ltd. on 4.4.2018. In respect of Braithwaite & Co. Ltd. (BCL), M/o Railways has stated that the CPSE is strategically very important for Indian Railways for both wagon body rebuilding and manufacture of special types of wagons. It has specialized infrastructure and skills for manufacturing/rebuilding wagons/wagon components. BCL being a PSU, provides flexibility to Indian Railways in developing new designs and have successfully made special wagons for cement customers, for carrying liquefied natural gas, for NTPC etc.

**D/o Defence production:** As on 31.3.2017, BEL-THALES Systems Limited, a Joint Venture Company under D/o Defence production incurred loss in 2016-17. D/o Defence production has informed that BEL-THALES Systems Limited (BTSL) is a Joint Venture Company (JVC) between Bharat Electronics Limited (BEL) and Thales group, France incorporated on 28th August 2014. The objective of BTSL is to design, develop, market, supply and support of civilian & select defence radars for Indian &global markets with technology inputs from Thales and utilizing existing production facilities of BEL. The Company in the last few years, scouted for and bagged orders for maintenance of radars installed in India and with the execution of these orders, will be able to break even and show a reasonable profit for the year (FY 2018-19). Additionally, the Company is undertaking to manufacture sub-assemblies for the offset requirements of the Thales France in the coming years. For this, negotiations are in an advanced stage and orders are expected by end of February/early March 2019. BTSL will not only have strong order book, but also will be profitable in the coming years.

**Ministry of Health & Family Welfare:** In pursuance of the decision of Cabinet Committee on Economic Affairs (CCEA) for 100% disinvestment of M/s HLL Lifecare Ltd, the process for disinvestment has already been initiated. HLL Biotech Ltd. was set up as 100% subsidiary of M/s HLL Lifecare for establishing Integrated Vaccine Complex at Chengalpattu (TN) for manufacturing the vaccines to support the Universal Immunization Program of Govt. of India. It is to be de-merged from HLL Lifecare before disinvestment.

**D/o Heavy Industry:** D/o Heavy Industry has informed that NITI Aayog from time to time evaluates/ analyses the performances of CPSEs and recommends further course of action like closure/disinvestment/ merger etc.

**Ministry of Home Affairs:** Ministry of Home Affairs has informed that Delhi Police Housing Corporation Limited (DPHC) has been set up with approval of Cabinet with the objectives to develop the capacity for faster utilization of outlays for construction of houses and Police Station Buildings. The main activities of the Corporation are to acquire land with or without buildings, undertake construction and maintenance of houses, offices or other buildings etc. Accordingly, the role of DPHC basically is that of a facilitator'. However, the observation of the Committee has been noted for compliance whenever become necessary.

**Ministry of Coal:** Bharat Coking Coal Ltd. (BCCL) and Western Coalfields Ltd (WCL), the subsidiaries of Coal India Ltd., under M/o Railways made loss in 2016-17. Ministry of Coal has informed about the actions/ measures taken for growth and profitability of BCCL and Western Coalfields Ltd WCL. The measures are expected to result in higher production and also growth in its bottom line and EBITDA margins significantly in both the companies. In fact, BCCL has already started earnings profits and the latest results for the third quarter, ending 31st December 2018 of the financial year, 2018-19, shows a profit before tax of Rs.238.55 crore and profit after tax of Rs.199.14 crore. WCL has also been earning profits in every quarter of FY 2018-19 and the total profit after tax earned till 9 months, ending 31.12.2018 of the financial year, 2018-19, is Rs.184.45 crore. The company has a net reserves/retained earnings of about Rs.770 crore as on 31.12.2018. In view of above, BCCL and WCL do not call for any disinvestment/closure.

**Department of Chemicals & Petrochemicals:** There is only one Petrochemical PSU under administrative control of this Department i.e. Brahmaputra Cracker and Polymer Limited (BCPL) which has been listed as one of the loss making CPSEs during the year 2016-17. With regard to losses in BCPL in 2016-17, it is stated that BCPL has implemented the Assam Gas Cracker Project which is an offshoot of Assam Accord. The plant was commissioned on $2^{nd}$ January, 2016 and dedicated to the Nation on $5^{th}$ February, 2016 for the speedy all round economic development of Assam. During the year 2016-17, the plant was undergoing initial stabilization phase, for which there was no provision in its project cost. Besides, the plant also faced inadequate supply of feedstock by M/s OIL & M/s NRL and could operate at 37% capacity only. Therefore, due to reasons beyond the control of BCPL the company was in adverse liquidity situation during 2016-17. However, thereafter the plant has started generating profits from 2017-18 onwards with operation at 78% capacity. In the current year, 2018-19, the plant is operating at more than 100% capacity generating sufficient cash to meet its operations.

The Department of Chemicals and Petrochemicals is also making efforts to improve the profitability of the company. The balance capital subsidy of Rs. 4990 crore out of Rs. 5,239.45 crore has already been released to BCPL upto 2018-19. A Coordination Committee set up under the co-chairmanship of Secretary, DCPC. Secretary, MoPNG takes a review of feedstock issues from time to time.

**Ministry of Steel:** Ministry of Steel has furnished information as under:

**9.1 J &K Mineral Development Corporation Ltd.**: It is joint venture company of NMDC Ltd and JKML, Govt. of J&K. JKMDC had initiated action for setting up of a 30000 TPA Dead Burnt Magnesia (DBM) Plant at Panthal, J&K and 124000 TPA Magnesite Mine. The issue of NoC from Vaishno Devi Shrine is under consideration. Keeping in view of the recommendations of NITI Aayog, the Board of Directors of NMDC on 21.8.2017 had approved winding up of the subsidiary, JKMDC Ltd. Subsequently, JKML vide letter dated 7.9.2017 inter alia stated that their Board had resolved that JKMDC/NMDC come up with business friendly proposals to facilitate making of appropriate decision on future of Panthal Magnesite Project by the administrative Ministry of NMDC Ltd and J&K Minerals Ltd. Adviser to Hon‟ble Governor & Chairman of the Committee advised NMDC to give a presentation before the Board members of Shri Mata Vaishno DEVI Shire Biard.

9.2 **Hindustan Steelworks Construction Ltd.:** Hindustan Steelworks Construction Ltd has been transferred to Ministry of Housing & Urban Affairs in 2017.

***

*ANNEXURE-III*

**POINT N0. 5. (ii): ROLE OF THE GOVERNMENT WITH REGARD TO FUNCTIONING OF CPSUs**

**1. Ministry of Power:** Ministry of Power on the observation of the Committee has informed that Boards of Power Sector CPSUs consist of full time directors having expertise in the technical fields pertaining to area of operation of the CPSUs concerned as well as director having domain knowledge in the areas of HR and Finance. Further, the boards also consist of government nominee and non-official directors having domain knowledge of government policies, management, finance, etc.

**2. Ministry of Development of North Eastern Region:** Ministry of Development of North Eastern Region has apprised with regard to their 2 loss making CPSEs viz. North Eastern Handicrafts & Handlooms Development Corporation Ltd.(NEHHDC) and North Eastern Regional Agricultural Marketing Corporation Limited (NERAMAC) as under:

**2.1 North Eastern Regional Agricultural Marketing Corporation Limited (NERAMAC):** Presently in the Board of NERAMAC, there are Directors having expertise in agri-horti sector and agriculture sectors and the MD has vast experience in Agriculture Marketing. However the proposal for reconstitution of the Board of Directors considering the nature of business and the industry in which its operates is in consideration in the Ministry of DoNER.

**2.2 North Eastern Handicrafts & Handlooms Development Corporation Ltd.:** The Company has seven Directors on Board including one Functional Directors as on date. There are two Non-official Directors on the Board of the Company.

**3. Ministry of Steel:** Ministry of steel has stated that Boards of CPSEs under Ministry of Steel are empowered and comprise of experts to enhance the quality of decisions. On the observation of the Committee, it has furnished information in respect of the following CPSEs on the observation of the Committee:

**3.1 Steel Authority of India Ltd. (SAIL):** The Board of Directors of Steel Authority of India Limited (SAIL), a Government Company under the provisions of Companies Act, 2013, comprises of five Functional Directors including Chairman, two Government Nominee Directors and eight Independent Directors. The Independent Directors have always been well qualified with rich and commendable experience in diverse fields such as Banking, Finance, Taxation, Economics, Industry, Administration, Academics, Personnel, Operations, Raw Materials, Commercial, etc. Steel Authority of India Limited (SAIL) a „Maharatna" Public Sector Undertaking, is governed by Government Guidelines on various aspects of its functioning. All procedures, Rules and Regulations have been codified in line with Government Policies and Regulations.

**3.2 Rashtriya Ispat Nigam Ltd. (RINL):** RINL Board comprises 5 (five) Functional Directors, 2 (two) Govt. Directors at the level of Special Secretary & Financial Adviser and Joint Secretary and from Ministry of Steel and 3(three) Independent Directors. The Board of Directors bring in expertise from various fields to enhance quality of decisions, overall management, supervision and governance thereby ensuring speedy decision making. Board meetings on an average are held every alternative month. The Board is also assisted by various specific purpose Board Sub Committees (BSC) like Board Sub Committee on Marketing (BSCOM); Board Sub Committee on Raw Material Security & Joint Venture and Acquisition; and Board Sub Committee for Expansion & Related Projects. All BSCs comprises of the three Independent Directors as Members/Chairman and the recommendations of the BSCs are put up to the Board for faster decision making.

**3.3 The Bisra Stone Lime Company Limited (BSLC):** BSLC Board comprises 3 (three) Directors including one Director at the level of Dy. Director General from Ministry of Steel bringing lot of expertise from various fields to enhance quality of decisions, overall management, supervision and governance thereby ensuring speedy decision making. Board meetings are held every quarter. The Board is also assisted by senior level executives of RINL for faster decision making.

4. **Ministry of Information & Broadcasting:** Ministry of Information & Broadcasting has informed that at present there is one independent director on the Board of National Film Development Corporation (NFDC) who is expert in the field of cinema. The appointment of two independent directors having the requisite expertise in the cinema was put on hold as the matter of merger of NFDC, CFSI & other organization was under discussion. At present, an expert committee has been formed vide office order dated 29.01.2019 for rationalization of various media units in the Ministry which includes NFDC.

5. **Department of Fertilizers:** Department of Fertilizers has informed that Board of a CPSE comprise of functional Directors, independent Directors and Government nominee Directors. The appointment of Board level incumbents is being done as per the extant guidelines of DPE/DoPT through an open selection process conducted by PESB. Independent Directors are also eminent professionals, academicians, Directors of Institutes/Heads of the Department and Professors. Senior officers of Government of India, posted in the Department are nominated as Government nominee Directors.

***

**POINT N0. 7: CASE STUDY OF 12 IDENTIFIED CPSUS BY THE COMMITTEE**

**1. Ministry of Coal:** In this regard, M/o Coal which has informed about the actions/ measures taken for growth and profitability of subsidiaries of Coal India Ltd. viz., Bharat Coking Coal Ltd. (BCCL) and Western Coalfields Ltd (WCL), which made loss in 2016-17.The measures are expected to result in higher production and also growth in its bottom line and EBITDA margins significantly in both the companies. BCCL has already started earnings profits and the latest results for the third quarter, ending 31st December 2018 of the financial year, 2018-19, shows a profit after tax of Rs.199.14 crore. WCL has also been earning profits in every quarter of FY 2018-19 and the total profit after tax earned till 9 months, ending 31.12.2018 of the financial year, 2018-19, is Rs.184.45 crore. The company has a net reserves/retained earnings of about Rs.770 crore as on 31.12.2018. In view of above, BCCL and WCL do not call for any disinvestment/closure.

**2. Ministry of Railways:** RITES Infrastructure Services Ltd (RISL) a wholly owned subsidiary of RITES Ltd. was incorporated in 2010 with main objectives of construction of Multi- Functional Complexes (MFC) on various Railway stations. Since, none of the MFCs developed by the Company was found commercially viable, and there was no business in hand and securing of new business was not foreseen in the near future, the Board of Directors of RITES Ltd (the holding company) in its meeting held in January, 2016 decided to wind-up RISL, after handing over MFCs to Zonal Railways. To facilitate winding up process, all the assets and liabilities of RISL were taken over by RITES Ltd. Liquidator has been appointed in 2016-17. Ministry of Railways are making all efforts to expedite the process of winding up, which is in advanced stage.

**3. Ministry of Power: W**ith respect to the subsidiaries of NTPC and POWERGRID which incurred loss in 2016-17, Ministry of Power has informed as under:

**3.1 Kanti Bijli Utpadan Nigam Ltd**.: It is a wholly owned subsidiary of NTPC Ltd. It is not a loss making company.

**3.2 Partratu Vidyut Utpadan Nigam Ltd**. A joint venture between NTPC (74%) and Jharkhand Bijli Vitran Nidam Limited (26%) for constructing 24000 MW (3x800 MW) project in Jharkhand. It has not yet commenced operation and hence not made any losses.

**3.3 NTPC Electricity Supply Co. Ltd.:** NTPC hold 10% in this subsidiary. The company is in the process of winding up and its assets and liability have been transferred to NTPC w.e.f. 1st April, 2015.

**3.4 POWERGRID NM Transmission Ltd., POWERGRID Unchahar Transmission Ltd. and POWERGRID Vizag Transmission Ltd.**: These mentioned as loss making companies in 2016-17 are wholly owned subsidiaries of POWERGRID. These 3 companies have been acquired as Special Purpose Vehicle for implementation and revenue earning of projects by POWERGRID through Tariff Based Competitive Bidding (TBCB) route. All these projects have since been completed and started commercial operation in 2016/2017. POWERGRID Unchahar Transmission Ltd. and POWERGRID Vizag Transmission Ltd. have posted profit in 2017-18 and have also paid dividend to its parent company. As on date POWERGRID NM Transmission Ltd. is not earning profit. the main reasons for loss in POWERGRID NM Transmission Ltd. is delay in grant of license, extreme severe ROW problems, consequently blocking of investment for a considerable period without earning tariff / revenue on the same, despite completion of one element (765 kV D/C Nagapattinam – Salem line) of the project. However, it is expected that upon receipt of transmission tariff and relief towards increase in cost towards delay in grant of transmission license and delay due to severe Right-of-Way (ROW) problems, POWERGRID NM Transmission Ltd. shall also start earning profits. It may be seen that the recommendations of COPU are being taken care of by POWERGRID.

3.5 The performance of the organization including its subsidiaries is continuously reviewed and analyzed by top Management of NTPC and POWERGRID and Ministry of Power.

**4. Ministry of Steel:** Ministry of steel on the observation of the Committee has furnished the information in respect of the following loss making CPSEs:

**4.1 Steel Authority of India Ltd. (SAIL):** The performance of SAIL has improved over years and is submitted as below:

**(a) The financial results of the Company for the last 5financial years (i.e. 2013-14 to 2017-18) and 9M, 2018-19**

**(Rs. In crores)**

| **Year** | Turnover (Gross) | Gross Margin (EBIDTA) | Interest | Depreciation | Exceptional/Abnormal Items Gain (-)/Loss (+) | Profit(+)/ Loss (-) before Tax (PBT) | Tax | Net Ptrofit(+) / Loss (-) after Tax (PAT) |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7= (3-4-5-6) | 7 | 8= (6-7) |
| 13-14 | 51866 | 4853 | 968 | 1717 | -1056 | 3225 | 608 | 2616 |
| 14-15 | 50627 | 5586 | 1454 | 1773 | | 2359 | 266 | 2093 |
| 15-16 | 43294 | -2204 | 2300 | 2402 | -101 | -7008 | -2986 | -4021 |
| 16-17 | 49180 | 672 | 2528 | 2680 | -315 | -4851 | -2018 | -2833 |
| 9M 17-18 | 41486 | 2528 | 1906 | 2216 | -351 | -1945 | -648 | -1297 |
| 17-18 | 58297 | 5184 | 2823 | 3065 | -56 | -759 | -277 | -482 |
| 9M 18-19 | 47944 | 7806 | 2352 | 2494 | -335 | 2626 | 915 | 1710 |

**(i) Performance during the Financial Year (FY) 9M 18-19:** In the Current Nine Months, the turnover (gross) at Rs. 47944 crore is higher by 16% as compared to corresponding period of last year (CPLY), due to increase in Net Sales Realisation (NSR) of Saleable Steel of 5 Integrated Steel Plants (24%). During the Current Nine Months, the Profit before Tax and after

Tax at Rs. 2625.55 crore and Rs. 1710.42 crore reflects substantially higher performance over CPLY.

(ii) Further, in order to meet the challenges of adverse business environment, a Company-wide turnaround exercise named „SAIL Uday" was initiated during 2016-17. As a part of the „SAIL Uday" exercise, SAIL engaged M/s Boston Consulting Group (BCG), a leading global Management Consultant, to study the health of the Company, suggest suitable measures for its turnaround. The Consultant submitted „Comprehensive Turnaround Roadmap" Report in 2017. The Roadmap contains recommendations encompassing various functional areas of the Company including Raw Materials, Production, Sales & Marketing, Supply Chain & Logistics, Man power & Productivity etc. SAIL is presently in the process of implementation of the recommendations which are expected to contribute towards improvement in the Company"s performance.

(b) As regards strategic investment the following is submitted:

On 27th October, 2016, the Government of India has accorded „in-principle" approval for strategic disinvestment of three units of SAIL viz. Salem Steel Plant (SSP), Visvesvaraya Iron & Steel Plant (VISP) and Alloy Steels Plant (ASP). The entire process of the Strategic Disinvestment is being overseen by an Inter-Ministerial Group (IMG) constituted by the Ministry of Steel and chaired by the Secretary, Steel. Chairman, SAIL and Director (Finance), SAIL are members of the IMG.SAIL Board in its 439th meeting held on 9th February, 2017 accorded „in-principle" approval for the strategic disinvestment of the above steel Plants. Various intermediaries/ advisers have been appointed to facilitate strategic disinvestment of these units. The strategic disinvestment process is presently underway.

(c ) Further as regards the closure of Subsidiaries of SAIL, the following is submitted:

| | | |
|---|---|---|
| 1 | Chhattisgarh Mega Steel Limited | Planned for Exit<br>In line with the decision of the SAIL Board, Government of Chhattisgarh on August 14, 2017 has been communicated that SAIL shall not make any further investment in the project. |
| 2 | SAIL - Jagdishpur Power Plant Limited | Application has been filed with Registrar of Companies (ROC) for Voluntarily Winding Up of the Company. |
| 3 | SAIL Sindri Projects Limited | Application has been filed with Registrar of Companies (ROC) for Voluntarily Winding Up of the Company |
| 4. | IISCO Ujjain Pipe & Foundry Company Limited | Under official liquidation |

**4.2 Rashtriya Ispat Nigam Ltd. (RINL):** RINL made profits consecutively since FY 2002-03 to FY 2014-15. The company however, incurred losses in 2015-16, 2016-17 and 2017-18 as mentioned below due to down turn of steel industry and more specifically for long products segment:

(Rs. In Crs)

| Year | 2015-16 | 16-17 | 17-18* |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Profit After Tax(PAT) | (-)1421 | (-)1263 | (-)1369 |

* After considering exceptional item of Rs.541.05 cr on account of enhancement of Gratuity limits from Rs.10 lakhs to Rs.20 Lakhs.

(i) With stabilization and ramp up of production from Expansion & Modernization units, RINL has been achieving continuous growth in production, sales and Labour Productivity etc, in the last 3 years and the current year, as per the details given below:

| SNo. | Item | 2015-16 | 2016-17 | 2017-18 | 2018-19 (till Feb"19) | |
|---|---|---|---|---|---|---|
| | | | | | Achievement | Growth over CPLY |
| 1 | Saleable Steel („000 tons) | 3513 | 3847 | 4500 | 4479 | 12 |
| 2 | Labour Productivity (t/man-yr) | 345 | 375 | 451 | 487 | 10 |
| 3 | Steel Sales Volume („000 tons) | 3703 | 3702 | 4488 | 4328 | 9 |
| 4 | Gross Sales (incl Trial Run sales) | 12,271 | 12,706 | 16,618 | 18,515 # | 28 # |

\# Provisional

(ii) With increase in volumes and cost reduction measures, the company could reduce the loss of gross margin from Rs.664 Crs in 2015-16 (as per IND AS) to Rs.264 Crs in 2016-17 and to positive gross margin of Rs.346 Crs in 2017-18. Further, with certain improvement in market scenario, the company could generate positive gross margin of Rs.1520 Crs (provisional) with a PBT (Profit Before Tax) of Rs. 84 Crs in 2018-19 (upto Dec, 2018).

**4.3 MECON Ltd.:** MECON got a study conducted by an External Management Agency, M/s Deloitte, to review its business and other functions. Based on the report, MECON re-organised its structure, improved its HR processes and worked on other critical observations for overall improvement. MECON Limited has earned a Profit after Tax (PAT) of INR 58 Crores during the FY 2017-18 and is neither a loss making nor a sick CPSU. The Net Worth of the company has improved and there is positive balance of Reserve & Surplus and Net Worth.

**4.4 The Bisra Stone Lime Company Limited (BSLC):** Three companies under the erstwhile Bird Group of Companies, were brought under RINL, considering the need of RINL for captive mines. One of these companies, M/s Bisra Stone Lime Company Limited has been making losses due to various reasons such as lack of working capital, surplus manpower etc. Niti Aayog"s committee on Sick / Loss making and Non-performing CPSEs has recommended „Merger with parent CPSE". The report of internal committee of RINL inter alia did not favour merger.Turnaround of the company is considered possible through VRS for 400 employees and clearance of outstanding liabilities. The revival plan submitted by BSLC was reviewed by Ministry of Steel on 20/02/19, wherein it was felt that other options may be exhausted before seeking budgetary support. Accordingly, actions are being taken.

**5. Department of Fertilizers**: Department of Fertilizers has mentioned about providing financial assistance to Fertilisers and Chemicals Travancore Ltd (FACT) from time to time and the present status of revival / restructuring of FACT. In this regard, it has stated that FACT was given a plan loan of Rs. 1000 Cr. to provide immediate financial relief in March, 2016. Administrative approval for sale of 169.67 acres of land to Bharat Petroleum Corporation Ltd. (BPCL) was granted by Department of Fertilizers on 23.3.2018 which resulted in realization of approx. Rs. 420 Crores for FACT.

A draft Cabinet Note for financial restructuring of FACT was circulated for Inter-Ministerial Consultations on 23.2.2018. DoF further stated that thereafter, a higher level meeting was held on 10.8.2018. Based on the directions received during the meeting, NITI Aayog has submitted the draft study report on "feasibility of merger of FACT & MFL with other fertilizer units of D/o Fertilizers and options for financial restructuring/ revival of MFL and FACT" to this Department for comments. The same is under examination.

***

**POINT N0. 10 (ii): DELAY IN CASH & SUPPORT AND OTHER APPROVALS BY THE GOVERNMENT**

1) **Department of Fertilizers:** Department of Fertilizers (DoF) with regard to FACT has informed the following:

i) Based on the recommendations of erstwhile BRPSE (wound up in November, 2015), DoF submitted note for CCEA on 17.4.2014. As per the directions of Cabinet, revised note for consideration of CCEA was circulated for inter-ministerial consultation(IMC) on 3.7.2014. D/o Expenditure (DoE) did not concur with the restructuring proposal of FACT. DoE stated that FACT should work out a plan with its own internal resources for restructuring. Thereafter, Cabinet note was further revised and circulated for IMC in 2015. PMO requested DIPAM in June, 2015 to visit plant and make independent recommendations in the matter. Meanwhile, to avert immediate financial crisis in FACT, plan loan of Rs. 1000 Cr. was provided in March, 2016.

ii) A draft Cabinet Note for financial restructuring of FACT was circulated for Inter-Ministerial Committee on 23.2.2018.

iii) Administrative approval for sale of 169.67 acres of land to Bharat Petroleum Corporation Ltd. (BPCL) was granted by this Department on 23.3.2018 which resulted in realization of Approx. Rs. 420 Crores for FACT.

iv) Thereafter, a higher level meeting was held on 10.8.2018. Based on the directions received during the meeting, following action has been taken:

a) D/o Fertilizers has de-linked the proposal of sale of land from FACT to Govt. of Kerala from financial restructuring proposal. The advance copies of Cabinet Note seeking approval for "Sale of 481.79 acres of land held by FACT to the Government of Kerala and utilization of the sale proceeds of approx. Rs. 970 Crores by FACT" was submitted to Cabinet Secretariat and PMO on 07.01.2019.

b) A meeting was held on 16.11.2018 with NFL, RCF, MFL, FACT and IFFCO to explore the possibility of merger of FACT and MFL. None of the participant Company has shown their interest in absorption/merger of FACT/MFL with them due to the negative net worth of MFL and FACT.

**c)** NITI Aayog has submitted the draft study report on "feasibility of merger of FACT & MFL with other fertilizer units of D/o Fertilizers and options for financial restructuring/ revival of MFL and FACT" to this Department for comments. The same is under examination.

***

**POINT N0. 12: OUT DATED PLANTS & MACHINERY/ OBSOLETE TECHNOLOGY**

**1. D/o Heavy Industry:** D/o Heavy Industry vide OM dated 20.3.2019 has intimated that for experts" guidance, Non-Official Independent directors are being appointed in the CPSEs from time to time who are experts in the relevant field so as to benefit from their expertise and experience.

**2. D/o Defence Production:** BEL-THALES Systems Limited (BTSL) is the CPSE which had incurred loss in 2016-17. D/o Defence Production has informed that BTSL, a Joint Venture Company (JVC) between Bharat Electronics Limited (BEL) and Thales group, France set up to Design, Develop, Market, Supply and Support of Civilian & select Defence Radars for Indian & Global markets with technology inputs from Thales and utilizing existing production facilities of BEL. Two major developmental projects (1. Multi Tracking Pharos Radar & 2.Passive Radar) were initiated at BTSL with design and development support from Thales/BEL. While Passive Radar has a good market potential in the domestic market, Pharos Radar needs to be introduced in the international market. Thales Netherland is pursing with International navies for Pharos Radars. D/o Defence Production has stated that BTSL will not only have strong order book, but also will be profitable in the coming years.

**3. Ministry of Health & Family Welfare:** HLL Biotech Ltd and HLL Lifecare Ltd. under Ministry of Health & Family Welfare incurred loss in 2016-17.HLL Biotech Ltd. is yet to start commercial production. With regard to HLL Lifecare Ltd., the Ministry of Health & Family Welfare has informed that the Company has been earning profit since inception i.e. 1966, except for the last two years. Profitability has been affected due to capitalization of the new units. In addition to manufacturing activities, the company is doing the social sector intervention projects. The Company had already engaged the services of an external leading consultant to prepare Turnaround Strategies for the Company and based on their recommendations, detailed action plan has been prepared and is being implemented with definite timelines and responsibility. The company has been accorded captive status for supply of condoms and other contraceptives for the National Family Welfare Programme.

**4. M/o Petroleum & Natural Gas:** With respect the observations of the Committee, M/o Petroleum & Natural Gas has given information about the Prize Petroleum Company Limited and HPCL Biofuels Limited as per below:

**(a) Prize Petroleum Company Limited (PPCL):** Actions taken by PPCL in Oil & Gas Assets at Australia are as under:-

i) Upgradation of Satellite Communication Systems between offshore platform and onshore gas processing plant.
ii) Replacement of Gas Turbines and upgradation of engines which are used for power generation at Offshore Platform and at Onshore gas processing plant respectively.
iii) Replacement of PABX systems at onshore Gas processing plant.

iv) Deployment of Operational Technology Cyber Security Tool to further harden the defences against potential cyber-attacks.

Actions taken by PPPCL to enhance the Oil & Gas production (which inevitably declines over the time by its nature) in Oil & Gas assets at Australia are as under:-

i) Installation of Compressor and Condensate Pumping module at offshore platform to prolong the life of field, aiming to maximize hydrocarbon recovery.
ii) Wireline intervention aiming at sustaining production levels.

Action taken on loosing market for product**s:**

i) PPCL is selling high demand product(s) i.e. Crude Oil/Condensate, Gas, LPG etc. and has entered into long term contract(s) with reputed buyer(s).
ii) Necessary arrangements have been exploited such as parallel contract with alternate buyer to protect the company from unforeseen events at delivery locations and thus ensuring continuous delivery/sale of its product(s), especially Condensate.
iii) In respect of domestic operations, PPCL has entered into service contract with ONGC. For service fee not meeting the operating expenses, PPCL has taken up for increase in service fee under the provisions of contract.

**(b) HPCL Biofuels Limited (HBL) :** Plant & Machinery/technology were capitalized during the FY 2011-12, are just 7 years old and having useful life of 15 to 25 years. Both the plants at Sugauli and Lauriya are having state of the art technologies. Further, HBL regularly reviews the scope of change in equipment „s and spare parts, technology upgradation and capital projects related to Plant and Machinery.

**5. Ministry of Railways:** On the observation of the Committee, Ministry of Railways has informed as under:

**5.1** M/o Railways with reference to M/s Braithwaite & Co. Ltd.(BCL) has intimated that a Committee was formed at BCL and most of the outdated machines had been condemned/ disposed and new machines like CNC plasma, semi-automatic welding machines, bending etc. have already been introduced for upgradation of technology. ERP also has been introduced for effective administrative management.

5.2 Ministry of Railways with regard to M/s. Sidcul Concor Infra Company Limited (SCICL), a loss making CPSE, has informed that the domestic operation of the company at Multi Modal Logistics Park, Pantnagar commenced on 28.11.2015. The EXIM operation began on 17.09.2016 and as Company is new, all the office equipments are updated. The machinery used for the operations is on third party contract and contractor has provided the required machinery as per our requirement. The issue of obsolete or outdated technology does not arise.

5.3 Ministry of Railways with regard to M/s. Fresh & Healthy Enterprises Limited (FHEL), a loss making CPSE, has informed that the company was incorporated in 2006. It was one of the first Controlled Atmosphere (CA) Store in the country. The technology & machinery were best at that point in time. The refrigeration system, the core to the company operation is still relevant and technologically sound. Company is in process of modifying its facility to suit the changed industry needs and also updating the plant, machinery & technology by making additional investment. The management has decided to Re-Engineer/revival of the facility in two phases, i.e., modification of the existing facility by converting CA store into Chiller, Bonded Cold Store Warehouse and CA Store with mezzanine floors in Phase-I which is already operational; and addition of bonded warehousing Deep Freeze and traditional Cold Store in Phase-II which will be implemented in 2019-20. The Re-engineered facility will also cater to all kind of customers like farmers, traders, importers & exporters. Hence the issue of obsolete or outdated technology does not arise.

**6. M/o Civil Aviation:** Air India operates in the Service Sector and machinery/equipment in its area of operations are primarily Aircraft. The company"s aircraft are primarily recent acquisition of latest state of the art technology which has also been acquired with the support of Govt. Guarantees. Even the leased aircraft which are currently being obtained to expand its operations are being acquired on operating lease and are the latest aircraft in terms of their life and technology.

**7. D/o Chemicals & Petrochemicals:** D/o Chemicals & Petrochemicals has informed that there are two Chemical sick/ loss making PSUs under the administrative control of the D/o Chemicals & Petrochemicals viz. Hindustan Organic Chemicals Limited (HOCL) and Hindustan Fluorocarbons Limited (HFL), subsidiary company of HOCL). HOCL had two manufacturing units located at Rasayani (Maharashtra) and at Kochi (Kerala). After implementation of restructuring plan for HOCL, all plant operations at Rasayani unit have been closed down except the strategically important Concentrated Nitric Acid (CNA)/ Di-nitrogen Tetroxide ($N_2O_4$) plant which has been transferred to the Department of Space/ISRO. While the Kochi unit, that has plants to manufacture Phenol, Acetone and Hydrogen Peroxide, will continue operations, „in principle" approval has also been accorded by the Govt. for strategic disinvestment of HOCL through DIPAM after the process of disposing land and other unencumbered assets of Rasayani Unit is completed.

**8. Ministry of Coal:** On the observation of the Committee, Ministry of Coal has informed about the actions/ measures taken for growth and profitability of Bharat Coking Coal Ltd. (BCCL) and Western Coalfields Ltd (WCL).It is stated that the measures are expected to result in higher production and also growth in its bottom line significantly in both the companies.

**9. Ministry of Development of North Eastern Region:** Ministry of Development of North Eastern Region has apprised with regard to their 2 loss making CPSEs viz. North Eastern Handicrafts & Handlooms Development Corporation Ltd.(NEHHDC) and North Eastern Regional Agricultural Marketing Corporation Limited (NERAMAC).

**9.1 North Eastern Regional Agricultural Marketing Corporation Limited (NERAMAC):** It is an Agro-horti based marketing corporation and not involved in complex technology sector. NERAMAC has four processing plants which are presently not in operation due to non-viability of operation and due to obsolete and outdated technologies and lack of funds for its revival. The Company has recently reviving one of the processing plant for Ginger Processing under PPP mode and trying for other plants also under PPP mode.

**9.2 North Eastern Handicrafts & Handlooms Development Corporation Ltd. (NEHHDC):** The NEHHDC is a Trading and Marketing Company. The NEHHDC undertakes marketing and trading of handlooms and handicrafts products of the North Eastern States. Such marketing activities are carried out through setting up of Emporia/Regional Sales Promotion Offices as well trough exhibitions, expos and fairs. The Company has not acquired any plant and machinery during the past ten years.

**10. Ministry of Power:** Ministry of Power on the observation of the Committee has informed as under:

**10.1 Partratu Vidyut Utpadan Nigam Ltd. and Kanti Bijli Utpadan Nigam Ltd.:** These two companies are subsidiaries of NTPC. Partratu Vidyut Utpadan Nigam Ltd. (PVUNL) decommissioned its 325MW unit and construction of 3 units of 800 MW each has been started with the latest technology. Similarly, the old units of Kanti Bijli Utpadan Nigam Ltd. (KBUNL) were modified and new units were added to reach its present capacity of 610 MW.

**10.2 POWERGRID NM Transmission Ltd., POWERGRID Unchahar Transmission Ltd. and POWERGRID Vizag Transmission Ltd.**: These companies are wholly owned subsidiaries of POWERGRID. These 3 companies have been acquired as Special Purpose Vehicle for implementation and revenue earning of transmission projects of POWERGRID through Tariff Based Competitive Bidding (TBCB) route for implementation of transmission projects. The technology used in the transmission line is latest and not obsolete.

**11. Ministry of Steel:** Ministry of steel on the observation of the Committee has furnished the action taken measures in respect of the following loss making CPSEs under its control:

**11.1 Steel Authority of India Ltd. (SAIL):**

i) In order to maintain predominance in the steel sector and to face global competitiveness, SAIL has drawn up an Expansion Plan for its five integrated steel plants at Bhilai, Bokaro, Rourkela, Durgapur & Burnpur and Special Steel Plant at Salem. Besides capacity enhancement of its crude steel capacity from 12.8 Million tonne per annum (Mtpa) to 21.4 Mtpa, the plan adequately addresses the need of SAIL Plants towards eliminating technological obsolescence, energy saving, enriching product mix, pollution control, developing mines & collieries to meet higher requirement of key inputs with matching infrastructure facilities to support higher production volumes.

ii) Under the Modernization & Expansion, SAIL has undertaken latest state-of-the-art technologies like 7m tall Coke Oven Batteries with coke dry quenching, high volume (more than 4000 m3) Blast Furnaces with Top Pressure Recovery turbines, auxiliary fuel injection & Cast House slag granulation plants, Steel Melting Shops with latest steel making, refining and casting technology and state of the art rolling mills viz. coupled Pickling and Tandem mill for cold rolled products, Universal Rail Mill for longer rails (upto 260 m), 4.3m wide Plate Mill etc.

iii) Apart from the above for regulatory compliance, system improvement, energy conservation, modification/ replacement/ debottlenecking etc. SAIL is also implementing various Addition, Modification and Replacement (AMR) projects.

**11.2 Rashtriya Ispat Nigam Ltd. (RINL):**

i) RINL has taken up the modernization & up-gradation programme to rejuvenate the health of existing operating units of 3.0 MTPA stage viz., Blast Furnaces, LD Converters of Steel Melt Shop, Sinter Machines and auxiliaries at a cost of about Rs. 4,000 Cr to comply with the latest environmental norms and improve the efficiency of operation.

ii) RINL has completed the modernization of its existing major production facilities as detailed below:

- **Modernization of BF-1&2** has been completed in July‟14 and Oct‟17 respectively.
- **SMS-1 Converters A, B & C** were revamped and commissioned in Mar‟16, Oct‟16 and May‟17 respectively.
- **Revamp** of **Sinter Machine-1** has been completed in July‟17. Revamp of Sinter Machine-2 will be taken up duly considering optimum production model with respect to 3 Blast Furnaces operation.

iii) Due to adoption of copper staves in Blast Furnaces the volume of the furnaces got increased from 3200 cum to 3800 cum resulting in increase in Hot Metal production by 1.0 MTPA from both the furnaces. Accordingly, the Liquid Steel production capacity is enhanced by 1 MTPA with the addition of one more Converter and Caster which were commissioned in Mar‟16 & Dec‟17 respectively.

12. **Ministry of Information and Broadcasting:** As far as National Film Development Corporation (NFDC) is concerned, the Corporation has taken timely action to upgrade its technology. The Corporation has also taken action to convert the celluloid format of films to Digital format and the process is still continuing. NFDC has also upgraded its technology from Avid to First Cut Pro to DaVinci Resolve etc. in time. NFDC dispensed with its obsolete technology like Celluloid film subtitling machinery, Arriflex-III Camera etc. The details of technology up gradation done and their impact is as follows:

i) Back up Process. Installation of Centralized Data Storage system has resulted in every employee is now able to save all important data storage and able to share with Head of the Departments.
ii) Software upgradation in the recent past has resulted in access to fast network and able to give result in quickest possible time.
iii) Set up online Vendor Empanelment Process a Web based MS SQL at NFDC Delhi Regional Office.
iv) Film Facilitation Office(FFO) launched FFO Web Portal on 20th Nov,2018 which will enable online submission of applications for International film makers but also enlists India.

v) The Corporation also taken action to convert the celluloid format of our films to Digital format and the process is still in progress which has resulted in easy access and can preserve for long period.
vi) The corporations also upgraded its technology from Avid to First Cut Pro to DaVinci Resolve etc which has helped to carryout postproduction in-house, and convert films (Media) to the format as per the requirement of various digital platforms like Amazon, Hot star, TATA Sky, Reliance etc.

**13. Department of Fertilizers:** Department of Fertilizers has stated thatFertilizers Sector is a controlled Sector. Therefore, there is no loss of market share as far as the products of the Companies are concerned. However, the up gradation is being done time to time as & when required.

***

**POINT NO. 13: DIVERSIFICATION**

1. **M/o Railways:** M/o Railways has informed that Braithwaite & Co. Ltd. with consultation of administrative Ministry has already diverted its business and new line of steam locomotives reconditioning, stainless steel benches, twin pipe retrofitments, wagon repair onsite activities have already been started which has resulted in more than 150% jump in overall turnover in current year as compared to 2017-18.

**2. Ministry of Health & Family Welfare:** HLL Lifecare Ltd. had already engaged the services of an external leading consultant to do the SWOT analysis and to prepare Turnaround Strategies for the Company and based on their recommendations, detailed action plan has been prepared and is being implemented with definite timelines and responsibility.

**3. D/o Defence production:** BEL-THALES Systems Limited (BTSL) is a Joint Venture Company (JVC) between Bharat Electronics Limited (BEL) and Thales group. The objective of BTSL is to Design, Develop, Market, Supply and Support of Civilian & select Defence Radars for Indian & Global markets with technology inputs from Thales and utilizing existing production facilities of BEL. Two major developmental projects (1. Multi Tracking Pharos Radar & 2.Passive Radar) were initiated at BTSL with design and development support from Thales/BEL. The company in the last few years has bagged order for maintenance of radars installed in India. The Company is additionally undertaking to manufacture sub-assemblies for the offset requirements of the Thales France in the coming years. For this, negotiations are in an advanced stage and orders are expected by end of February/early March 2019. BTSL will not only have strong order book, but also will be profitable in the coming years.

**4. D/o Heavy Industry:** D/o Heavy Industry has informed that Boards of CPSEs exercise power in accordance with Companies Act and DPE guidelines issued from time to time.

**5. Ministry of Coal:** M/o Railways has informed that Bharat Coking Coal Ltd. (BCCL) is also venturing into exploitation of Coal Mines Methane (CMM) from Jharia CMM/CBM Block in Jharia Coalfield (under Coal Mining Leasehold of BCCL) with assistance of CMPDIL and this will go a long way in opening up the untapped sources of energy and thereby generating sources of revenue for the company. M/o Railways has also informed that Western Coalfields Ltd. (WCL) has taken a major step towards diversification and creating business verticals for boosting the top line through “sand from over burden project”. Pilot plant is operational in Bhanegaon Mines of Nagpur Area. The plant provided sand at a very low cost to Nagpur Improvement Trust (NIT) for use in low cost housing projects under the Pradhan Mantri Awas Yojna (PMAY). WCL has also provided OB and sand to National Highway Authority of India (NHAI) for construction of Mumbai-Nagpur Super Expressway. WCL is well set to launch its sand product commercially during the year 2018-19 at a much cheaper rate at the same time earning substantial revenue and profit for the company.

6. **Ministry of Power:** Both Partratu Vidyut Utpadan Nigam Ltd. (PVUNL) and Kanti Bijli Utpadan Nigam Ltd. (KBUNL), subsidiaries of NTPC, are in power generation business only. They have not diversified in other domains.

**7. Department of Chemicals & Petrochemicals:** Department of Chemicals & Petrochemicals has stated that based on a proposal received from Brahmaputra Cracker and Polymers Ltd. (BCPL), which proposes setting up of a Butene 1 and HPG plant at the project cost of Rs.386.75 crores to be financed with debt and equity/ internal accrual in the ratio of 90:10, the Government has undertaken the process of examination. The proposal aims to add value to functions of BCPL.

**8. Ministry of Steel:** Ministry of steel on the observation of the Committee has furnished information in respect of the following loss making CPSEs under its control:

**8.1 Steel Authority of India Ltd.:** Steel Authority of India Limited (SAIL) a „Maharatna" Public Sector Undertaking is governed by Government Guidelines on various aspects of its functioning. All procedures, Rules and Regulations have been codified in line with Government Policies and Regulations.

**8.2 Rashtriya Ispat Nigam Ltd. (RINL):** Rashtriya Ispat Nigam Ltd. (RINL) is setting up a Forged Wheel Plant (FWP) with a capacity of 100,000 wheels per annum at an estimated cost of approx. Rs. 1,683 Crs. at Lalganj, Uttar Pradesh . An Off-take agreement has been signed with Indian Railways for off take of 80,000 wheels per annum on cost plus pricing model. The input material for the FWP will be supplied from the main plant at Visakhapatnam. It is an import substitution initiative and part of efforts taken by RINL towards "Make in India". Any proposal on Diversification is initially put up to the related BSC viz., Raw Material Security & Joint Venture and Acquisitions and with the Committee"s recommendations, such proposals are put up to the Board. The decision making on such diversification of business issues is done with due caution so that the primary purpose of the company to remain in its core business is fully taken care of.

**8.3 MECON Ltd.:** Based on the recommendations of the study, carried out long back by a Management Consultant Agency, MECON decided to diversify into Energy (Power and Oil & Gas) and Infrastructure sectors.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).

**8.4 The Bisra Stone Lime Company Limited (BSLC):** BSLC is a captive supplier of Dolomite to SAIL. It is exploring market for Limestone to cater cement manufacturers subject to extension of lease beyond 31.03.2020.

**9. Ministry of Information and Broadcasting:** Ministry of Information and Broadcasting in respect of National Film Development Corporation (NFDC) has informed as under on the observation of the Committee:

(i) The Management of NFDC has always kept the factors like SWOT (Strength, Weakness, Opportunity and Threats) while deciding diversification into new products/avenues and programs. The Corporation also acquired expertise in the field of Production, Marketing etc. to minimize the downside risk. NFDC has co-produced two Indo-Germans, two Indo-French and one Indo-New Zealand films with support from the Ministry of Information & Broadcasting.

International Co-production brings many advantages like access to bigger and new markets, ability to pool financial resources, access to the partner government's incentives and subsidies, Increase in the quality of production, access to specialized skills or equipment, Opportunity to learn from the partner and network, Access to a desired location , access to less expensive inputs etc.

**Department of Fertilizers:** Department of Fertilizers has stated that CPSEs Boards are empowered to take decisions as per the categorization of CPSEs by DPE viz. Maharatna, Navratna, Miniratna etc. and guidelines issued by DPE from time to time in this regard.

***

**POINT No.15: DELAY IN PAYMENT OF DUES/VRS PACKAGES**

1. **D/o Pharmaceuticals:** D/o Pharmaceuticals has intimated that the Cabinet had earlier decided on 28.12.2016 to meet the liabilities (including employees‟ liabilities) of CPSEs (Hindustan Antibiotics Ltd., Bengal Chemicals & Pharmaceuticals Ltd.,Indian Drugs & Pharmaceuticals Ltd. and Rajastan Drugs & Pharmaceuticals Ltd) from proceeds of sale of their surplus land to government agencies. As the land could not be sold, the liabilities remained unmet. The Department has again approached Cabinet for modification of the earlier decision. The Department has sent a Cabinet note to Cabinet Secretariat on 5.2.2019 seeking upfront budgetary support as loan for meeting the outstanding liabilities of CPSEs under closure(IDPL &RDPL) and waiver of Central Govt. loan (principal & interest). In case of CPSEs under strategic disinvestment (HAL), budgetary support has been sought for settlement of employees‟ dues, VRS, One Time Settlement with Banks and waiver of Central Govt. loan (principal & interest).

2. **D/o Commerce:** D/o Commerce has intimated that there are no dues pending.

3. **Ministry of Environment, Forest and Climate Change:** Ministry of Environment, Forest and Climate Change has informed that there are 765 employees in the Andaman and Nicobar Islands Forest and Plantation Development Corporation Limited. CCEA in its meeting held on 16th August, 2017 decided to close down the Corporation by offering VRS/VSS to all its employees and auction of movable and immovable assets. Payment of VRS/VSS is complete. The payment of leave encasement has also been completed. 673 cases of Gratuity claims have been released and the rest are under process. The payment of TE is complete.

4. **Ministry of Health & Family Welfare:** Ministry of Health & Family Welfare has informed that in HLL Lifecare Ltd, there is no pending dues of employees. In HLL Biotech Ltd there are no pending dues of employees.

**5. M/o Petroleum & Natural Gas:**

a. **Indian Oil CREDA Biofuels Limited (ICBL) & CREDA HPCL Biofuels Limited (CHBL):** As there was no manpower in these companies at the time of its closure, no dues are pending in respect of employees of them.

b. **Prize Petroleum Company Limited (PPCL):** Except one employee who is directly employed by PPCL, other employees are on secondment from the parent company. All employees are being paid their full salaries and applicable benefits on time.

c. **HPCL Biofuels Limited (HBL):** HPCL Biofuels Limited (HBL) has been making employee payments in time on regular basis. Settlement of employees leaving the organization has always been done on time since incorporation of the company. HBL is also regular in statutory compliances of employee related benefits such as provident fund, bonus.

**6. Ministry of Railways:** Ministry of Railways has informed on the observation of the Committee in respect of their loss making CPSEs in 2016-17 as under:

**6.1 M/s Braithwaite & Co. Ltd.(BCL):** Revision of scale of pay w.e.f. 1.1.2007 was already implemented on time and further pay revision of BCL staff is under process which is due from 2017 only and expected to be implemented by May"19.

**6.2 Burn Standard Company Limited (BSCL):** CCEA approved for closure of BSCL on 04/04/2018. There are 453 employees as on 01.09.2018. The Company approached the Hon'ble Supreme Court for relief against the NCLAT orders to withhold the disbursement of payments. Hon'ble Supreme Court allowed the disbursement vide its order dated 07/09/2018. Accordingly, 396 employees submitted voluntary retirement (VR) options had been paid VR benefits. 57 employees who did not submitted voluntary retirement options were retrenched and retrenchment benefits were paid to them.

**6.3 M/s. Sidcul Concor Infra Company Limited (SCICL):** In SCICL, there is no regular employee, hence there is no case of VRS. Company is making regular and full payments towards salary and other related reimbursements of all contractual staff and making timely reimbursement against salary of employees on deputation from Holding Company, CONCOR.

**6.4 M/s. Fresh & Healthy Enterprises Limited (FHEL):**To make the facility viable, some of the employees who were on the rolls of FHEL have been absorbed in CONCOR after their resignation and of their full and final settlement is in process.

6.5 **RITES Infrastructure Services Ltd (RISL):** RITES Infrastructure Services Ltd (RISL) is a wholly owned subsidiary of RITES Ltd. The Board of Directors of RITES Ltd (the holding company) in its meeting held in January, 2016 decided to wind-up RISL, after handing over MFCs to Zonal Railways. There is no employee on the roll of the company.

**7. Ministry of Tourism:** Ministry of Tourism has informed that the recommendations contained in the CoPU Report in respect of the following CPSUs is not applicable, as the corporations have been disinvested or in advance stage of disinvestment:

(i) Assam Ashok Hotel Corporation Limited.
(ii) Donyi Polo Ashok Hotel Corporation Limited.
(iii) Ranchi Ashok Bihar Hotel Corporation Limited.
(iv) Utkal Ashok Hotel Corporation Limited

**8. D/o Heavy Industry:** D/o Heavy Industry has informed on the observation of the Committee that the payment of VRS/VSS and other dues of employees of HMT Chinar Watches Ltd, HMT Ltd. (Tractor Division), HMT Bearings Ltd, Instrumentation Limited, Kota, Tunghabadra Steel Plant Limited and Hindustan Cables Limited, has been completed. In case of HMT Watches Limited, the payment of the dues of some of the employees is pending due to a court case. The dues of employees of Ranibagh unit will be settled based on the court verdict.

**9. M/o Civil Aviation:** M/o Civil Aviation has informed that based on Justice Dharamadhikari Committee (JDC) recommendations, the Revised Basic Pay (RBP) has been implemented for all the categories of the employees from different dates and full salary and allowances are being paid from the dates on which respective agreements were signed with each category of employees. However, a provision Rs 1331.91 crore have been made in the books of accounts of Air India as on FY 2017-18 for the payment of the 25% of the allowances withheld for all employees of Air India towards the implementation of the JDC recommendations. Accordingly, the said amount shall be paid once the individual employee wise arrears sheets are drawn up and also based upon the financial/liquidity position of the company.

**10. D/o Chemicals & Petrochemicals:** D/o Chemicals & Petrochemicals has informed the status of pending dues of the employees of Hindustan Organic Chemicals Limited (HOCL) and Hindustan Fluorocarbons Limited (HFL) as on 12.03.2019, period of pendency and the action taken/required to settle the same which is given below:

| S. No. | Pending dues of employees (existing & retired) | Amount (Rs. in crore) | Pending Since when | Action Taken/required to settle the same |
|---|---|---|---|---|
| A. | HOCL | | | |
| (i) | Retired employees | 3.82 | For varying periods earliest being 1997 | Provision for paying the dues has been made by the company. However, payment is pending since the dues pertain to sub judice matters and to retired employees whose contact details are not available with the company. |
| (ii) | VRS opted employees of Rasayani unit. | 3.94 | Feb. 2018 | Some VRS opted employees have been temporarily retained for implementing restructuring plan of the company. Their dues will be paid once they are relieved. |
| (iii) | VRS opted employees of Kochi unit | 1.85 | Dec. 2018 | Dues will be paid once funds are received from land sale of Rasayani unit. |
| | Total | 9.61 | | |
| B. | HFL | | | |
| (i) | Salary and allowances | 2.08 | 20% salary since April, 2018 and salary for Feb. 2019 | HFL has stated that its financial performance can improve if its non-feedstock production quota of CFM-22 is increased to 1500 MTPA as against the existing quota of 1100 MTPA allotted by the M/o Environment, Forests and Climate Change (MoEFCC). The Department has requested MoEFCC to enhance the CFM-22 quota for calendar year 2019 to 1500 MT which can facilitate settlement of the employee dues through improved financial performance. |
| (ii) | Wage revision arrears | 15.54 | Oct. 2012 | |
| (iii) | Statutory Dues | 20.02 | For varying periods from April, 2012 to Feb. 2019 | |

| | | | | |
|---|---|---|---|---|
| | Total | 37.64 | | |

11. **Ministry of Coal:** Ministry of Coal has intimated that the wage cost on manpower in Bharat Coking Coal Ltd andWestern Coalfields Ltd. have been already settled.

**12.** **Ministry of Development of North Eastern Region:** Ministry of Development of North Eastern Region has apprised with regard to their 2 loss making CPSEs viz. North Eastern Handicrafts & Handlooms Development Corporation Ltd.(NEHHDC) and North Eastern Regional Agricultural Marketing Corporation Limited (NERAMAC) that there are no pending/ outstanding VRS dues.

**13.** **Ministry of Power:** There is no delay in payment of dues/ VRS with respect to Partratu Vidyut Utpadan Nigam Ltd. and Kanti Bijli Utpadan Nigam Ltd. (KBUNL). With respect of POWERGRID NM Transmission Ltd., POWERGRID Unchahar Transmission Ltd. and POWERGRID Vizag Transmission Ltd., it is stated that all employees dues are paid timely by POWERGRID.

**14.** **Ministry of Steel:** Ministry of steel on the observation of the Committee has furnished the status in respect of the following loss making CPSEs under its control:

**14.1** **Rashtriya Ispat Nigam Ltd. (RINL):** RINL is not a sick company. RINL is paying salaries to its employees timely. Continuous efforts are being made to improve its performance and the company is expected to turn around at the earliest.

**14.2** **MECON Ltd.:**MECON has been paying the salary and other dues to its regular employees.

**14.3** **The Bisra Stone Lime Company Limited (BSLC):** All out efforts have been put for arrangement of funds for payment of pending salary. The company has been arranging funds for wages and statutory payments from the funds generated from sales revenue.

**15.** **Ministry of Information and Broadcasting:**Ministry of Information and Broadcasting has informed that no payment is pending for VRS packages.

16. **Department of Fertilizers:** Department of Fertilizers has informed that the Pending dues/VRS packages to the employees in respect of Fertilisers And Chemicals Travancore Ltd, Madras Fertilizers Ltd. and Projects and Development India Limitedare Nil.

***

**17 (i) : SURPLUS LAND AND ASSET SALE OF LOSS-MAKING PSUS THROUGH NBCC**

**1. Department of Pharmaceuticals**: As regards the land of HAL, IDPL, RDPL and BCPL mentioned in the observation, D/o Pharmaceuticals has informed that Cabinet in its meeting dated 28.12.2016 had decided for closure of IDPL and RDPL after meeting all the liabilities through sale of surplus land to Govt. agencies. Despite sincere efforts, the sale of surplus land of PSUs did not materialize, mainly as the bids were invited from the Government agencies alone. As such, the funds could not be generated for meeting all the liabilities of PSUs for effecting closure. It is now proposed to explore the possibility of the sale of surplus land as per revised DPE"s guidelines dated 14.06.2018.

1. **Ministry of Railways:** M/o Railways in respect of M/s Braithwaite & Co. Ltd. (BCL) has informed that no surplus land is available which can be offered for sale through NBCC. In respect of Burn Standard Company Ltd., it has been apprised that MoU with LMA for disposal of land could not be signed due to restriction imposed by National Company Law Appellate Tribunal.

3. **Department of Chemicals & Petrochemicals:** The sale of land assets of Rasayani unit of Hindustan Organic Chemicals Limited (HOCL) is being carried out in accordance with the CCEA approved restructuring plan of HOCL. (Rasayani unit of HOCL has been closed down under the restructuring plan). The sale of surplus land of Hindustan Fluorocarbons Limited (HFL) at its plant site at Rudraram, Dist. Sangareddy, Telangana, is being processed as per decision taken in the meeting held in the PMO on 04.02.2019. As such, in the context of above mentioned land sale of HOCL & HFL, Department of Chemicals & Petrochemicals has not explored any option regarding future requirement of land & assets of HOCL & HFL by such loss-making PSUs because both of these are approved 'in principle' for disinvestment.

**4. Ministry of Coal:** Ministry of Coal has informed that the coal mines are mostly in remote areas and in respect of Bharat Coking Coal Ltd. and Western Coalfields Ltd., it has stated that they have no sparable land, which exists in their command area.

**5. Department of Heavy Industry:** D/o Heavy Industry has stated that they have been regularly monitoring this aspect, with a view to expedite progress. The status is as under:

(i). Consequent upon approval of Cabinet/CCEA for closure of certain CPSEs under DHI, NBCC was nominated as Land Management Agency (LMA), vide letter dated 31.01.2017, for the following 5 CPSEs-

i. Hindustan Cables Ltd.,
ii. Instrumentation Ltd.,
iii. HMT Bearing Ltd.,
iv. HMT Watches Ltd. and
v. Tungbhadra Steel Products Ltd.

(ii). LMA issued first Request for Quotation (RFQ) on 17.05.2017. In response 8 bids were received from different Govt. organizations in respect of 7 Immovable assets out of total 22 assets of 5 CPSEs. After negotiations, the following Four Land Parcels (Two in parts) were finally recommended by LMA to be disposed off. These were referred back to DHI for further approval of competent Authority.

| S. No. | Name of CPSE | Details of property | Area | Organization | Area recommended for disposal |
|---|---|---|---|---|---|
| 1 | HMT Bearings Limited | Land at Moula Ali Hyderabad | 29.33 acre | ISRO | 29.33 acre |
| 2 | Hindustan Cables Limited | Land at Mallapur Village Hyderabad | 227 acre 27.5 Gunta | BPCL | 92 acres |
| 3 | Hindustan Cables Limited | Land at Cherlapally Village Hyderabad | 96 acre 35 Gunta | BPCL | 23 acre |
| 4 | Tungabhadra Steel Products Limited | Land at Hospet Karnataka | 82.37 acre | Karnataka Housing Board | 82.37 cre |

(iii). RFQ was again invited by LMA on 20.11.2017 for disposal of remaining properties of CPSEs. Bids were received from different Govt. organizations in respect of 8 Immovable assets. After negotiations five properties were finally recommended by LMA to be disposed off.

(iv). Present Status of the 9 properties mentioned above, as given by the LMA, is as under:

| S. No. | Name of CPSE | Details of asset | | Details of allotment | | | Present Status |
|---|---|---|---|---|---|---|---|
| | | Type & location | Area | Name of organiza-tion | allotted area | Offered price in Rs. crore | |
| 1 | HMT Bearings Ltd. | Land at Moula Ali Hyderbad | 29.33 acre | ISRO | 29.33 acre | 104.10 | Land sold to ISRO. |
| 2 | TSPL | Land at Hospet Karnataka | 82.37 acre | Karnataka Housing Board | 82.37 acre | 54.36 | Land sold to Government of Government of Karnataka. |
| 3 | HCL | Land at Cherlapally Hyderabad | 96 acre 35 gunta | BPCL | 23 acre | 47.46 | Recommendation received from LMA was not considered due to a pending court case. |
| 4 | HCL | Land at Mallapur Hyderabad | 227 acre 22.5 gunta | BPCL | 92 acre | 189.83 | |
| 5 | HCL | Land at Naredrapur Kolkata | 2 acre | Intelligence Bureau | 2 acre | 30.25 | LMA recommended sale to IB. Inter-Ministerial reference sent to MHA on 15.11.2018. Reply received from MHA on 15.04.2019 that the price quoted by IB or the reserve price, whichever is |
| 6 | HCL | Guest house at Garihat Road Kolkata | 3613 Sft | Intelligence Bureau | 3613 Sft | 2.65 | |
| 7 | HCL | Guest house at Rashbehary Avnue Kolkata | 2558 Sft | Intelligence Bureau | 2558 sft | 2.13 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | less, be considered. However, guidelines require that sale be made at the higher of the two prices. |
| 8 | Instrume-ntation Limited | Land at Malviya Nagar Jaipur | 1.04 acre | Intelligence Bureau | 1.04 acre | 24.79 | Recommendation received from LMA has been referred to parent department (MHA) on 11.01.2019. Reply received from MHA on 15.04.2019 that IB has submitted a bid for this plot of land for Rs. 24.79 crores. This is being examined. |
| 9 | Instrumentation Limited | Land at Malviya Nagar Jaipur | 1.37 acre | M/o Ayush (National Institute of Ayurveda) | 1.37 acre | 19.00 | M/o AYUSH, on 11.04.19, requested for some more time, to make budgetary provisions. |

**(v).** LMA has proposed re-tendering (third time) of the following properties, which have not been disposed off till date:

| S. No. | Name of CPSE | Details of property | Area | Status of Disposal |
|---|---|---|---|---|
| 1 | Hindustan Cables Limited | Land at Rupnarainpur WB | 947.23 acre | No bid received in two rounds of tendering. As per Para 3.3 and 4.3.2(b) (ix) of O.M. No. DPE/5(1)/2014-Fin (Part-1) dated 14.6.2018, wherever the administrative ministry faces any difficulty in disposal of land, it shall consult NITI Aayog. Accordingly, the matter of disposal of these properties has been referred to NITI Aayog for advice. |
| 2 | | 4 Flats at Golf link Apartment, Chaditala Lane, Kolkata, WB | 3 Flats - 850 sqft<br>1 Flat – 1020 sqft. | |
| 3 | | 5 Flats at Juhi Colony, Allahabad | 1076 Sqft each | |
| 4 | | 2 Flats at Agnipath Colony Allahabad | 1266 Sqft. each | |
| 5 | | 1 Residence at Asian Games Village New Delhi | 1963 Sft. | Not considered due to a pending court case. Owing to difficulties in disposal, matter referred to NITI Aayog for advice, in terms of Para 3.3 and 4.3.2(b) (ix) of O.M. No. DPE/5(1)/2014-Fin (Part-1) dated 14.6.2018 |
| 6 | | Balance Land at Cherlapally Village, Hyderabad | 73 acre 35 Gunta | |
| 7 | | Balance Land at Malapur Village, Hyderabad | 135 acre 22.5 Gunta | |
| 8 | Instrumentation Limited | 1 Office cum residence at Vadodara | 1200 Sft | No bid received in two rounds of tendering. As per Para 3.3 and 4.3.2(b) (ix) of O.M. No. DPE/5(1)/2014-Fin (Part-1) dated 14.6.2018, wherever the administrative ministry faces any difficulty in disposal of land, it shall consult NITI Aayog. Accordingly, the matter of disposal of these properties has been referred to NITI Aayog for advice. |
| 9 | | 3 Flats at Juhu Tara Road, Santacruz, Mumbai | 540 Sqft. each | |
| 10 | | 2 Flats at Beach Resort, Juhu Koliwada, Mumbai | 540 Sqft each | |
| 11 | | 3 Flats at Monalisa Socity, Bandra, Mumbai | 1 flat 551 Sqft<br>2 Flats 534 Sqft | |
| 12 | | 4 Commercial Flats at Remi Bizcourt, Andheri, Mumbai | 331,408,478 and 741 sqft. | |

| | | | | |
|---|---|---|---|---|
| 13 | | Office space at SCOPE Complex New Delhi | 7710 Sft. | |
| 14 | HMT Watches Limited | 1 Flat at Monalisa Society, Bandra, Mumbai | 753 Sft | On dismissal of W.P. No. 3292/2016 by the Hon'ble High Court of Uttarakhand on 18.03.2019, DHI has initiated process of disposal of land. |
| 15 | | Balance Land at Ranibagh, Nainital | 45.62 acre | |

(vi). Thereafter, LMA has proceeded to dispose off the above mentioned land assets as per instructions contained in para 10 of the said guidelines dated 7.9.2016 and later, as per revised DPE guidelines dated 14.6.2018. In terms of guidelines on closure, contained O.M. No. DPE/5(1)/2014-Fin (Part) dated 7.9.2016, land was to be sold to Central Government departments, Central Government bodies / CPSEs, State Government departments, State Government bodies/ PSEs.

(vii). The progress of closure is monitored continuously in DHI. Further, DHI also takes up periodic review meetings to monitor overall progress where LMA is also invited.

6. **Department of Defence Production:** Department of Defence Production has informed that BEL-THALES Systems Ltd. is operated on leased land taken from BEL and it does not hold any land.

7. **Department of Fertilizers:** Department of Fertilizers has informed that the PDIL is under the process of 100% outright strategic disinvestment. The other two CPSEs namely Fertilisers And Chemicals Travancore Ltd (FACT) and Madras Fertilizers Ltd. (MFL) are loss making but not under closure. FACT had identified approx. 651 acres of surplus land. Out of which 170 acres has been sold to Bharat Petroleum Corporation Ltd. (BPCL). Sale of approx. 481 acres of land to Govt. of Kerala is under consideration. MFL had identified 70 acres of surplus land sale. Chennai Petroleum Corporation Limited (CPCL) which is a subsidiary of India Oil Corporation Ltd. (IOCL), a PSU under M/o Petroleum & Natural Gas has shown interest in buying the land from MFL. The matter of sale of approx. 70 acres of land from MFL to CPCL is under consideration.

***

**POINT N0.18: CASH RECEIVED THROUGH MONETIZATION OF ASSETS OF LOSS MAKING CPSEs**

1. **D/o Commerce:** D/o Commerce has informed that STC has taken loan from Exim Bank. As per agreement, STC required prior written consent of Exim Bank for sale of assets. STCL Ltd has 15.7 acres of freehold land which has been attached by Consortium of Banks headed by SBI under SARFAESI Act, 2002.

2. **M/o Railways:** M/o Railways has informed in respect of Burn Standard Company Ltd., which was approved for closure on 4.4.2018, that the Company has a total of 975.71 acres land including 422.84 acres of freehold land and 552.87 acres of leasehold land. MoU with LMA for disposal of land could not be signed due to restriction imposed by National Company Law Appellate Tribunal.

3. **D/o Pharmaceuticals:** D/o Pharmaceuticals has intimated that no money has yet been realized through monetization of Pharma CPSUs. Surplus, if any, after meeting the liabilities of CPSUs would be deposited in the Consolidated Fund of India.

4. **Ministry of Environment, Forest and Climate Change:** Ministry of Environment, Forest and Climate Change has informed that CCEA on 16th August, 2017 decided to close down the Corporation. The Ministry has conveyed its decision for disposal of all immovable assets held by the Corporation.

In consultation with A&N Administration, decision has been taken to return the immovable assets of Andaman & Nicobar Islands Forest and Plantation Development Corporation Ltd. (ANIFPDCL) standing on Reserve Forests/Tribal Reserve/ License/Lease, at the book value to the A&N Forest Department and the other lands (Non-forest lands) in A&N Islands to A&N Administration on payment of book value. Accordingly, all reserved forest land held under lease has been returned to Forest Department of Andaman and Nicobar Administration. The matter is being taken up with Forest Department to deposit book value at the earliest for facilitating the closure process of the corporation.In this regard, MoEFCC has further stated that as per the information received from A&N Administration, A&N Administration has deposited the book value to LMA. Further under own use clause, one property at Salt Lake, Kolkata has been ordered for transfer to PL Division of MoEF&CC for use by Hon. NGT.

5. **D/o Heavy Industry:** D/o Heavy Industry has informed that this Department follows DPE guidelines on closure of CPSEs and consequent disposal of land and assets of such CPSEs. Accordingly in case of HMT and IL, M/s NBCC has been appointed as LMA to dispose of immovable assets of these two CPSEs. The process is still ongoing and sale money is yet to the received.

6. **Department of Chemicals and Petrochemicals:** Department of Chemicals and Petrochemicals has informed that as per the restructuring plan of HOCL approved by the Govt. of India on 17.05.2017, financial implication of Rs.1008.67 crore (cash) of the restructuring

plan is to be met partly from sale of 442 acres of HOCL land at Rasayani to Bharat Petroleum Corporation Ltd. (BPCL) and the balance through bridge loan from the Govt. The restructuring plan provides for BPCL land sale proceeds to be used to settle the various liabilities of the company, including payment of outstanding salary and statutory dues of employees, giving VRS/VSS to the Rasayani unit employees, payments to BPCL/ other suppliers, etc. There is no provision in the restructuring plan for depositing the land sale proceeds in a separate account. Details of the land sale proceeds and their utilization, as on 12.03.2019, are as follows:

**A) Land sale/lease transfer proceeds**

| **Particulars** | **Approx. area (in Acre)** | **Gross Amount (Rs in Crore)** | **Remarks** |
|---|---|---|---|
| (i) Land sale to BPCL: | | | |
| a) Rasayani land - 05.02.2018 | 251.00 | 351.40 | Net amount received after deducting TDS and BPCL recovery of raw material dues was Rs.314.89 crore. |
| b) Rasayani land - 05.03.2019 | 38.69 | 54.16 | Net amount received after deducting TDS and BPCL recovery of raw material dues was Rs.8.77 crore. |
| (ii) Lease transfer of land to NALCO - 08.02.2019 | 0.25 | 13.10 | Net amount received after deducting TDS of Rs.0.13 crore was Rs.12.97 crore. |
| **Total** | **289.94** | **418.66** | |

**B. Utilization of land sale proceeds**

| **Particulars** | **Amount (Rs. in crore)** |
|---|---|
| (i) Payment of employees" dues (Including for giving VRS / VSS) | 209.25 |
| (ii) Payment to BPCL for raw material dues | 77.85 |
| (iii) TDS deducted, Banks payment, contractors/ suppliers, power & water dues, etc. | 131.56 |
| **Total** | **418.66** |

***

## APPENDIX I

## COMMITTEE ON PUBLIC UNDERTAKINGS

## (2020-2021)

## MINUTES OF THE FIFTH SITTING OF THE COMMITTEE

The Committee sat on Friday, the 7th November 2021 from 1210 Hrs. to 1310 Hrs. in Committee Room No. „3‟, Ground Floor, Block A, Parliament House Annexe Extension, (PHAE), New Building, New Delhi.

### PRESENT

**Smt. Meenakashi Lekhi - Chairperson**

### MEMBERS

*LOK SABHA*

2. Shri Arjunlal Meena
3. Shri Janardan Mishra
4. Prof. Saugata Roy
5. Shri Arjunlal Meena
6. Dr. Arvind Kumar Sharma
7. Shri Sushil Kumar Singh
8. Shri Ramdas Chandrabhanji Tadas

*Rajya Sabha*

9. Shri Prasanna Acharya
10. Shri Birendra Prasad Baishya
11. Shri Surendra Singh Nagar

## REPRESENTATIVES OF THE NATIONAL THERMAL POWER CORPORATION LIMITED (NTPC)

| | | | |
|---|---|---|---|
| 1. | Shri Gurdeep Singh | - | CMD |
| 2. | Shri Anil Kumar Gautam | - | Director (Finance) |
| 3. | Shri Ramesh Babu V | - | Director (Operations) |
| 4. | Shri Dilip Kr. Patel | - | Director (HR) |
| 5. | Shri Chandan Kr. Mondol | - | Director (O) |
| 6. | Shri Ujjwal K. Bhattacharya | - | Director (Projects) |

2. At the outset, the Hon"ble Chairperson welcomed the Members of the Committee and apprised them about the agenda for the sitting. As a first agenda item, the Chairperson proposed for consideration and adoption of the draft reports on the following subjects:-

(i) Airports Authority of India (AAI)
(ii) Central Coalfields Limited (CCL)
(iii) Food Corporation of India (FCI)
(iv) Hindustan Antibiotics Limited (HAL)
(v) NBCC (India) Limited

(vi) Action taken by the Government on the Observations/Recommendations contained in the Twenty-second Report (16th LS) of the Committee on Public Undertakings on "Financing of Renewable Energy Projects by Indian Renewable Energy Development Agency Limited (based on Performance Audit Report No.12 of 2015)".

(vii) Action taken by the Government on the Observations/Recommendations contained in the Twenty-fourth Report (16th LS) of the Committee on Public Undertakings on "Review of Loss Making CPSUs".

3. The Committee then considered the aforesaid draft reports and adopted it without any changes/modifications. The Committee thereafter authorized the Chairperson to finalize the report on the basis of factual verification by the concerned Ministry/Department and consider for presenting the reports to Hon"ble Speaker since Parliament is not in session.

***(The representatives of NTPC were then called in)***

4. **** **** ****

5. **** **** ****

6. **** **** ****

7. **** **** ****

***The Committee then adjourned.***

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

## APPENDIX II

**(Vide para 4 of the Introduction)**

**ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE TWENTY-FOURTH REPORT OF THE COMMITTEEE ON PUBLIC UNDERTAKINGS ON REVIEW OF LOSS MAKING CPSUs**

| | | |
|---|---|---|
| I. | Total number of recommendations: | 19 |
| II. | Observations/Recommendations that have been accepted by the Government: | 12 |
| | Para Nos. 1,2,5, 7, 8, 11, 12, 13, 14 15, 17 and 19 | |
| | Percentage to total: | 63.16% |
| III. | Observations/Recommendations which the Committee do not desire to pursue in view of Government‟s replies: | Nil |
| | Percentage to total: | Nil |
| IV. | Observations/Recommendations in respect of which replies of the Government had not been accepted by the Committee: | 2 |
| | Para Nos. 10 and 16 | |
| | Percentage to total: | 10.53% |
| V. | Observations/Recommendations in respect of which Government have furnished interim replies: | 5 |
| | Para Nos. 3, 4, 6, 9 and 18 | 26.32% |
| | Percentage to total: | |