CHAPTER VIII

SUMMARY AND SUGGESTIONS
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PUBLIC SECTOR ENTERPRISES IN INDIA

In 1947, when the country became independent there were various socio-economic problems confronting the country which needed to be dealt with in a planned and systematic manner. India at that time was an agrarian economy with a weak industrial base, low level of savings, inadequate investments and lack of infrastructure facilities. There existed considerable inequalities in income and levels of employment, glaring regional imbalances in economic development and lack of trained manpower. As such, state’s intervention in all the sectors of the economy was inevitable since private sector neither had necessary resources, the managerial and scientific skill, nor the will to undertake risks associated with large long-gestation investments. Among the imperatives before the Government were the removal of poverty, equitable distribution of income, generation of employment opportunities, removal of regional imbalances, accelerated growth of agricultural and industrial production, better utilization of natural resources and a wider ownership of economic manpower to prevent its concentration in a few hands. Given the type and range of problems faced by the country on the economic, social and strategic fronts, it became a pragmatic compulsion to use the public sector as an instrument for self-reliant economic growth.

The dominant consideration for the continued large investments in public sector enterprises was to accelerate the growth of core sectors of economy; to serve the equipment needs of strategically important sectors like Railways,
Telecommunications, Nuclear Power, Defence etc. and to provide a springboard for the economy to achieve a significant degree of self-sufficiency in the critical sectors. The rationale for setting up public enterprises was to ensure easier availability of vital articles of mass consumption, to introduce check on prices of important products, help promote emerging areas like tourism, etc. A large number of enterprises were created out of "Sick Units" taken over from the private sector inter alia, to protect the interest of workers. A number of public enterprises were created to operate in national and international trade, consultancy, contract and construction services, inland and overseas communications, etc. The overall profits of public sector enterprises in India is, thus, a heterogeneous conglomeration of basic and infrastructure industries, industries producing consumer goods, industries engaged in trade and services etc.

DISINVESTMENT IN INDIA

Balance of Payment position and increasing fiscal deficit led to adoption of a new approach towards the public sector in 1991. Disinvestment of Public Sector Undertakings (PSUs) is one of the policy measures adopted by the Government of India for providing financial discipline and improve the performance of this sector in tune with the new economic policy of Liberalization, Privatization and Globalization, (LPG) through the 1991 Industrial Policy Statement. The aims of disinvestments policy are rising of resources to meet fiscal deficit, encouraging wider public participation including that of workers penetrating market discipline within public enterprises and improving performance. The process of restructuring Public Sector Enterprises owned by the central Government in India has undergone quite a few changes since it began in 1991-92. Accordingly, it was decided to offer 20 percent of Government equity in selected CPSEs to mutual funds and public sector financial
institutions and banks. Minority Government shares from quite a few CPSEs were sold off during 1991 and 1992. Subsequently, in the following years, further minority Government shares were sold through the auction method. The range of buyers was steadily expanded to include private companies, brokers, foreign institutional investors (FIIs), non-resident Indians (NRIs) and overseas corporate bodies (OCBs). However, from 1998-99 onward, disinvestment policy underwent a substantive change with the emphasis shifting to selling of large chunks of Government shares in CPSEs through strategic sale, with transfer of management control. From 2004-05, the disinvestment policy again underwent a major shift, the union budget for 2004-05 are announced “As long as Government retains control over the PSE, and its public sector character is not affected, Government may dilute its equity and raise resources to meet the social needs of the people.”

NEED FOR THE STUDY

The concept of Public Sector Enterprises germinated around ‘Great Depression’ and came in full bloom by the Second World War. When the countries headed by the Soviet Union formed the communist bloc, thereby giving birth to the centrally planned economy. The rapid shrinking of colonial rule at almost the same time helped the emergence of the concept of mixed economy. This concept helped in supporting newly freed country like India by helping her in the noble cause. In 1948, immediately after Independence, Government of India introduced the Industrial Policy Resolution. This outlined the approach to industrial growth and development. It emphasized the importance to the economy of securing a continuous increase in production and ensuring its equitable distribution. After the adoption of the Constitution and the socio-economic goals, the Industrial Policy was comprehensively
revised and adopted in 1956. To meet new challenges, from time to time, it was modified through statements in 1973, 1977 and 1980. India suffered a major economic crisis in 1991. In the case of selected enterprises, part of Government holdings in the equity share capital of these enterprises will be disinvested in order to provide further market discipline to the performance of public enterprises. There are a large number of chronically sick public enterprises incurring heavy losses, operating in a competitive market and serve little or no public purpose. These need to be attended to. The country must be proud of the public sector that it owns and it must operate in the public interest. The current global financial crisis, America and Britain, the birth-place of modern privatization, nationalized much of its banking industry. The books, articles and research studies review above clearly shows that there are no studies on the whole process of disinvestment in India. In view of this it is felt that there is need for the study on “Disinvestment of Public Sector Enterprises” in India.

OBJECTIVES OF THE STUDY

The objectives of the study are:

1. To study the Origin and Development of Public Sector Enterprise in India.
2. To examine the Impact of Public Sector Enterprises on Indian Economy.
3. To study the Policy of Disinvestment of Public Sector Enterprises.
4. To study Process of Disinvestment of Public Sector Enterprises.
5. To study the Transactions and Realizations of Disinvestment.
6. To study the Market Capitalization of Central Public Sector Enterprises.
7. To study the Macro view of Performance of Public Sector Enterprises during 2001-02 to 2010-11.
8. To study the Performance of selected divested Public Sector Enterprises.
METHODOLOGY

To achieve these objectives, data has been collected from both the primary and secondary sources. The primary data has been collected by discussions and interviews with the executives of the disinvested companies, economists, political, public administration specialists and stock market analysts to elicit their opinions on various matters relating to disinvestment. A part from this in order to know the attitude of investors on disinvestment, a questionnaire is designed and administered to investors. The secondary data and information are collected from the office records of companies, Bureau of Public Enterprises, Ministry of Finance, Five Year Plans of Government of India, Economic Surveys, Department of Disinvestment, Industrial Policy Resolutions, Disinvestment Commission Reports, The Major Stock Exchanges, Company Annual Reports, Journals, Magazines, Dailies like Business Line and Economic Times and official websites like SEBI, NSE, and BSE etc.,

SAMPLING

There are as many as 45 Central Public Sector Enterprises (CPSE) listed and traded on the Stock Exchanges of India as on 31.3.2011; Engineering, Petroleum, Electricity and Steel are significant and core sectors. Hence, these four sectors are selected for the study. Bharat Heavy Electricals Limited (BHEL), Hindustan Petroleum Corporation Limited (HPCL), National Thermal Power Corporation (NTPC) and Steel Authority of India Limited (SAIL) are largest companies in these selected sectors. Hence, these four companies are selected for performance analysis.

In order to ascertain the attitude of the investors, the state of Andhra Pradesh has been selected as it is truly cosmopolitan in its nature. The state of Andhra Pradesh is divided into three geographical regions, viz., coastal Andhra, Rayalaseema and
Telangana. Rayalseema is geographically and demographically most important region of Andhra Pradesh. Anantapur district and Kurnool district possesses almost all the characteristics of other districts of Rayalaseema region. A Sample of 300 investors is taken for the study from Anantapur and Kurnool districts on the basis of convenience sampling. While selecting the investors, care has been taken to select them from Urban (District Head Quarters) and Semi-Urban (Other Areas) areas. A sample of 150 investors from urban area i.e. Anantapur and Kurnool, 150 investors from semi-urban i.e. Guntakal, Dharmavaram, Adoni and Nandayala is taken for the study.

METHODS OF ANALYSIS

The data collected from different sources will be properly classified, tabulated and analyzed using appropriate statistical tools to draw meaningful conclusions. Simple statistical techniques such as ratios, percentages and averages are used for the study. Besides, these various statistical tools and techniques have applied for analysis and interpretation of data.

PERIOD OF THE STUDY

The disinvestment had started in 1991-92. Hence, the process of disinvestment has been studied from 1991-92 to 2010-11. Macro view of Public Sector Enterprises and the performances of selected companies are studied over the period of ten years from 2001-02 to 2010-11.

SCOPE OF THE STUDY

The study covered the genesis, objectives and performance of Public Sector Enterprises, modus operandi, policy and procedures of disinvestment. The study also covered market capitalization of CPSEs listed on domestic stock exchanges. The study of disinvestment has been aimed at reference to the disinvestment process and
its associate factors. The study has not aimed to cover any particular Public Sector Unit neither is it going to present the focus on statistical features. Study is aimed to cover stepwise analysis of entire vision and mission of disinvestment concept. The study will also project to the various strategies and measures adopt by different Governments from 1990-91 onwards 2011-12.

LIMITATIONS OF THE STUDY

A research study of this nature could not be carried out without any limitations. The study is limited to a period of ten years (i.e., from 2001-02 to 2010-11) because these Public sector enterprise have been started in different years and so they have not been considered since their inception. Validity of this study depends on the reliability of the data being made available in the form of Annual Reports, Economic Surveys, Commission Reports, and Industrial Policy Resolution etc. However to overcome these limitations, great care has been taken at every stage to make it more pragmatic and comprehensive. In, primary data the major limitation of the study is that it is restricted to the state of Andhra Pradesh only and the size is also limited. However an effort is being made to minimize the impact of this limitation by selecting maximum number of investors from Anantapur district and Kurnool District. As this study is based on the responses of the investors there is a possibility of personal bias. Care has taken to bring down the impact by asking cross reference questions. Some of the investors could not relate themselves to the disinvestment programme as they were new entrants to the market. The investment activity is the outcome of innumerable factors. Where as in this study only a limited number of factors are considered. With all these limitations all the efforts are made to evaluate the situation as accurately and objectively as possible.
PUBLIC SECTOR IN INDIA

Post Independence, India was grappling with grave socio-economic problems, such as inequalities in income and low levels of employment, regional imbalances in economic development and lack of trained manpower, weak industrial base, inadequate investments and infrastructure facilities, etc. Soon after independence, India adopted the model of Centrally Planned Economic Development. Industrial Policy Resolution of 1956 made it clear that Public Sector will play a major role in industrial development and Private Sector will have a limited role. Accordingly, a large number of Public Sector companies came into being in virtually every sector of Economy. Oil, Coal, Electricity Generation and Distribution, Iron and Steel, Telecommunication, Air Transport, Heavy Engineering, Ship Building etc. became virtual Public Sector monopolies. With strict control on imports and exports, most of the international trade also became Public Sector monopoly. Growth of Private Sector was constrained by strict system of licensing and controls. Apart from the core and strategic areas, Public Sector units were set up in several other sectors such as Chemicals, Pharmaceuticals, Consumer Goods, Construction, Light Engineering, Consultancy, etc. Government also nationalized some of the industries either with a view to remove foreign control as in case of Oil Sector or to protect employment as in case of Textile Sector. Pandit Jawaharlal Nehru, India's first prime minister, called Public Sector units 'the temples of modern India'. Since India's independence, PSUs have contributed significantly towards the growth of the Indian economy. In fact, the 1956 Industrial Policy Resolution specifically stated that the Public Sector Enterprises in India will attain the commanding heights of the economy. Hence, the roadmap for Public Sector was developed as an instrument for self-reliant economic growth. The
country adopted the planned economic development policies, which envisaged the development of PSUs.

The Statement on Industrial Policy in July 1991 was also significant. It brought in fundamental changes in the MRTP Act as well. The statement revised the priority of the public sector. The economic and financial crisis of 1991 forced the Government's hand and economic philosophy in India underwent a sea change. Post 1991 a series of initiatives were taken by the Government towards economic reforms. The Statement of Industrial Policy of 1991 stated that in the case of selected enterprises, part of Government holdings in the equity share capital of these enterprises will be disinvested in order to provide further market discipline to the performance of public enterprises.

The principles by which we judge the performance of PSEs cannot be the same as those we used to judge the performance of the private sector. The way a Government functions is not exactly the way that business houses and enterprises normally function. PSEs have readily taken and are still required to take on the burden of social development. At the same time, it is equally important not to treat the investment and disinvestment decisions and actions of the state on a par with similar activities of private enterprises in the economy. This is not because the activities themselves are different, but because the role of the state in the economy is not the same as that of private sector. The basic difference between private and public ownership is the difference in objectives, viz; welfare maximization by the public sector and profit maximization by the private sector. The performance of the Public Sector Enterprises cannot be evaluated in terms of the criteria used to judge the
performance of private sector enterprises, the function of the state, including its investments and disinvestments, calls for different procedures of evaluation.

The profits made by the public enterprises are utilized towards financing the economic development of the country. Thus the purpose for which an industry in the Public Sector is set up is primarily the welfare both for the workers and for the society. The importance of Public Sector Enterprises has time and again been established when they have played a major role in saving the country from the vagaries of global economic crisis. The Government of India implemented economic policies through the public sector in order to ensure that the country is largely shielded from the repercussions of the global crisis. Public Sector Enterprises have been promoting capital investment particularly in areas which the private sector does not find attractive for investment and infusing investment in sectors of strategic importance to the nation. For instance, in order to continue capital infusion in the economy, the Government of India, through the public sector banks provided lower interest rates to boost and agriculture. Similarly, oil marketing companies maintained relatively low retail prices of petroleum products when crude oil price hit the roof. This step ensured check on food prices and helped the Government in keeping a check on rising inflation in the economy. Public enterprises continued to spend in infrastructure sectors which ensured that the unemployment levels in the country do not rise to alarming levels. The Government has leveraged the Public Sector Enterprises to achieve desired socio-economic objectives.

As agriculture is the backbone of Indian economy, Public Sector Banks (PSBs) play a crucial role in pushing the agricultural economy on to the progressive
pathway and helping develop rural India. Moreover, PSUs play a substantial role in the rural development by providing basic infrastructural services to citizens.

Hence, it is suggested that not to sell Public Sector Enterprises. Public Sector Enterprises (PSEs) have laid a strong foundation for the industrial development of the country. The public sector is less concerned with making profits. Hence, they play a key role in nation building activities, which take the economy in the right direction. PSEs provide leverage to the Government (their controlling shareholder) to intervene in the economy directly or indirectly to achieve the desired socio-economic objectives and maximize long-term goals. PSEs serve the interest of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. Devolve full managerial and commercial autonomy to successful, profit making public sector companies operating in a competitive environment. Every effort will be made to modernize and restructure sick public sector companies and revive sick industry. Thus, from every angle, the public sector has grown in importance and has come to occupy a prominent place in the Indian economy. Now that the Public Sector Enterprises is becoming performance oriented, there is a need to strengthen professionalism, providing the necessary conditions for further improvements in the performance of the PSEs are ensuring autonomy, delegation of more powers to PSE Boards, freedom from informal levels of control exercised by the administrative Ministries and a clear statement on future ownership. If these conditions are met, CPSEs do not need to be supported by measures such as administered prices, or price or purchase preference in Government purchases or any type of de jure or de facto favourable treatment vis-à-vis the private sector.
REVIVAL OF SICK CPSES

The condition of Sick CPSEs (i.e. CPSEs whose accumulated losses have exceeded their net worth) has been improving over the years. The number of sick CPSEs, which was 105 in March, 2003 came down to 64 in March 2011. The CPSEs were brought under the purview of Sick Industrial Companies (Special provision) Act, 1985 (SICA) which was subsequently amended in 1991 and made effective from 1992. The Government subsequently set up the Board for Reconstruction of Public Sector Enterprises (BRPSE) in December, 2004 to advise the Government, inter alia, on the measures to restructure/revive, both industrial and non-industrial CPSEs. Out of the 43 CPSEs, 13 have been declared as turnaround companies as they have been in profits (profit before tax) continuously for three years and more. Up to October 2011, cases of 67 sick CPSEs have been referred to BRPSE, out of which the Board has made recommendation in respect of 62 cases. Remaining 5 cases were remitted to the concerned administrative Ministers. Out of these 62 cases as on 31.10.2011, the Government has approved revival proposals in respect of 43 cases of CPSEs.

Hence, it is suggested that Government has to focus not only on profit making CPSEs but also on the problems of sick CPSEs. Not to sell or close of sick CPSEs. The number of chronically-sick enterprises has steadily gone down as many have started earning operating profits. There has been significant improvement in the overall condition of these enterprises in recent years. In comparison to 111 sick CPSEs in March, 2002, there were 45 sick CPSEs in March, 2011. The Government has to make every effort to modernize, strengthening and restructuring of sick CPSEs. And support of technical, financial, marketing and order, managerial support to sick CPSEs form other CPSEs in their turnaround.
BOARD STRUCTURE OF CPSES

The CPSEs are categorized in four Schedules namely ‘A’, ‘B’, ‘C’ and ‘D’ based on various quantitative, qualitative and other factors. The pay scales of Chief Executives and of full time Functional Directors in CPSEs are determined as per the Schedule of the concerned CPSE, Proposals from various administrative Ministries/Departments for initial categorization/up-gradation of CPSEs in appropriate schedule, personal up-gradation, creation of posts in CPSEs, etc are considered in DPE in consultation with the Public Enterprises Selection Board (PESB).

Hence, it is suggested that reforming ownership arrangements with a view to focusing the role of administrative ministries on policy-making and limiting their day-to-day role in commercial decision-making, giving boards greater decision-making powers in practice, and considering moving to a more centralized ownership model in the longer-term; improving the ways in which GOI exercises its key ownership functions, in particular enhancing transparency in the board appointment process and improving performance monitoring enhancing the role and capacity of the Department of Public Enterprises as a nodal agency to make it a more active promoter of the governance agenda and improving the Corporate Governance Guidelines so that they become a more effective governance tool.

PROFESSIONALIZATION OF BOARDS

In pursuance to the policy on Public Sector Enterprises being followed since 1991, several measures have been taken by the Department of Public Enterprises to professionalize the Boards of public enterprises. The guidelines issued by DPE in 1992 provide for induction of outside professionals on the Boards of CPSEs as part
time non-official Directors. The revised guidelines provide that the number of functional Directors should not exceed 50% of the actual strength of the Board of Directors (BOD) and the number of Government nominee Directors on the BOD should not exceed two.

Hence, it is suggested that particularly in the case of Navratnas, Miniratnas, and other profit-making companies, boards could be made more effective by bringing in independent directors from the private sector, empowering boards with greater decision-making authority while ensuring fair and responsible behavior through integrity and accountability mechanisms, strengthening audit committees, introducing performance-based board evaluation and remuneration practices, and making board development and leadership programs mandatory.

EMPLOYMENT

CPSEs have been playing a positive role in creating employment opportunities. Over the past several years, they have not only created several job opportunities but have also helped in addressing the unemployment problem in the country. As per Government estimates CPSEs account for around 6% of the total employment in the organized sector of India. They have assisted in the upliftment of the poor and in promoting equality and offering welfare facilities. As on 31.3.11, CPSEs employed around 14.44 lakh people compared with 16.14 lakh people as of 31.3.07. Even though the employee strength of CPSEs has reduced over the years, the aggregate annual per capita emoluments have increased from ₹ 325,869 in 2006-07 to ₹ 666,276 in 2010-11, recorded a growth rate of almost 20%. The talent drain was a problem in PSUs. The issue of reluctance to work in the Public Sector by means of incentivisation not only to attract talent but to retain the existing and
motivating them to give their best. The Government would look into broader bands for PSE targets to help them to retain their status. There is a huge disparity between the compensation packages of the board level functionaries of central Public Sector Enterprises and their private sector counterparts.

Hence, it is suggested that for making these public undertakings more efficient, the remuneration of their top level executives must match those of private industry to avoid the flight of talent, attractive incentives by way of increased pay packets and perquisites will make executive directors of CPSEs perform better and reduce attrition rates. In order to facilitate further improvement in their performance, implement revised salaries for executives of Public Sector Enterprises and introduce innovative measures such as performance related pay. The incentives for the employees have been linked to individual, group as well as company performance. All this to lead to sound practices for the development of human resources, which are of critical importance in today's competitive environment.

DISINVESTMENT IN INDIA

The process of restructuring Public Sector Enterprises owned by the Central Government in India has undergone quite a few changes since it began in 1991-92. The exceptionally severe balance of payments and fiscal crisis in 1991 forced the Government to revise its economic policies which resulted in disinvestment of Government equity in the Public Sector Enterprises. The Government steadily paved way for level playing field and competition with the private sector and thus resulted in Public Sector Enterprises being envisioned as revenue earning ventures of the Government.
With the liberalization of India in 1991, this year became the turning point in the history of the Indian economic growth story. The new economic reforms put into place allowed the globalization of Indian economy. The key objective of liberalization was to open up the economy, encourage international trade, allow greater reliance on market factors and initiate growth of the private sector and foreign investment. In order to achieve the above objectives, several progressive reforms were introduced.

The Government could disinvest up to 20 percent stake in the identified Public Sector Enterprises to mutual funds and financial or investment institutions belonging to the public sector. This move was aimed at improving management and enhancing productivity as well as efficiency of Public Sector Enterprises. As a result of this decision 30 individual Central Public Sector Enterprises (CPSEs) were divested to select financial institutions namely Life Insurance Corporation of India, General Insurance Corporation and Unit Trust of India in bundles.

However, from 1998-99 onward, disinvestment policy underwent a substantive change With the emphasis shifting to selling of large chunks of Government shares in CPSEs through strategic sale, with transfer of management control. From 2004-05, the disinvestment policy again underwent a major shift. The union budget for 2004-05 are announced “As long as Government retains control over the PSE, and its Public Sector character is not affected, Government may dilute its equity and raise resources to meet the social needs of the people.”

Hence, it is suggested that strengthen Public Sector Enterprises, take measures improve performance of CPSEs, not to privatize CPSEs. If the Government sells the assets that provides income or profit equal to or more than prevailing interest on Government securities, then Government would lose future income by selling it.
Disinvestment also means forgoing the future stream dividends from public investment. PSEs have registered handsome growth in their net profit, turnover, as well as contribution to national exchequer, and foreign exchange earnings. Capital Employed in 220 CPSEs stood at ₹ 949499 crore as on 31.03.2011. Total income of these CPSEs is ₹ 1497903 crore and profit of profit making CPSEs is ₹ 113770 crore during the same period. Capital employed and net profit increased enormously between 1990-91 and 2010-11. Why should the Government forgo especially when the CPSEs profits are booming? There is no conclusive evidence that the private sector is more efficient than the public sector, rather facts give an edge to the public sector, and it would be prudent to abandon the irrational policy of disinvestment of the PSUs and search for other alternatives to further improve the PSUs performance. The reason why India has so far not witnessed a financial meltdown of the kind being witnessed in the US and elsewhere is mainly because the Indian financial system remains far more regulated and public sector dominated than most other countries.

VALUATION FOR METHODOLOGY

There are various methodologies for disinvestment; the Government doesn’t seem to have a clear policy on the methodology of disinvestment, there is a lot of severe criticism from public on methodology of disinvestment.

Hence, it is suggested that offer for sale provides a neat solution to the Government's various divestment-related problems. Many PSUs, despite good fundamentals, haven't been able to secure good prices in their follow-on offers in the last two years. Speculative hammering of the shares in the run-up to the offers, on top of weak market conditions, have forced the Government to price them at sizeable discounts to valuations based on considerations of intrinsic worth. Low retail investor
interest in equities has also made the 35 per cent quota difficult to fill. In contrast, the new offer-for-sale auctions can be quickly executed at minimal cost, while allowing limited opportunity for speculation in the secondary market. Since the companies in this case are also listed, disclosures regarding their financials are already available. Investor interests may not, therefore, be hurt even if the documentation is not as elaborate as those for initial public offers. Higher institutional participation and allocation of shares based on price priority could further help maximize the Government’s disinvestment amounts raised.

The new SEBI-enabled offer-for-sale route allows promoters in leading listed companies to offload small tranches of their shares through a fast-tracked offer made via the stock exchanges. These require no reservation for retail investors or long-winded processes of preparing a red herring prospectus, hiring investment bankers and fixing a price band mandatory for public offers through the normal book-building route. Instead, the issuer has to simply auction shares at different prices subject to a floor, with the flexibility to allocate additional shares to investors placing higher bids. It is vastly more preferable to the other options considered earlier, such as getting these companies to buy back only shares of the Government or draining them of their cash hoard through hefty dividend payouts. These methods of raising resources would have undermined minority shareholder interests and also the PSUs future investment programmes.
POLICY AND PROCESS OF DISINVESTMENT

The policy of disinvestment has largely evolved through the policy statements of finance ministers in their budget speeches. It may be construed to be an integral part of the reform triggered post 1990's economic crisis. The process of disinvestment of Public Sector Undertakings (PSU) had been started by the Government in 1991-92. From 1991-92 to 1998-99, the focus was on disinvestment of minority shareholding in favour of financial institutions. From 1999-2000 to 2003-04: the focus was on disinvestment through strategic sale. Since 2004-05: The focus is on disinvestment of minority stakes in the domestic market to the general public in conjunction with issue of fresh equity by CPSEs.

The current policy on disinvestment was approved by the Government of India on 5th November, 2009. The objective of disinvestment policy was to develop people's ownership of CPSEs and to share in their wealth and prosperity while ensuring that Government equity does not fall below 51% and Government retains the management control.

There have been several criticisms of the disinvestment process in India valuations processes were unsound and that the Government gave away its stakes too cheaply;

Hence, it is suggested that not to divest PSEs through discretionary non-transparent process, which invite allegations of corruption and nepotism. Disinvestment of PSEs should be proceeded by scientific valuation of the target company shares. Complete transparency in the disinvestment process would ensure more co-operations from all political parties and ensure its acceptability from the public.
NATIONAL INVESTMENT FUND

On 27 January 2005, the Government had decided to constitute a 'National Investment Fund' (NIF) into which the realization from sale of minority shareholding of the Government in profitable CPSEs would be channelised. The Fund would be maintained outside the Consolidated Fund of India. The corpus of the Fund is ₹1814.45 crore being the proceeds from the disinvestment in Power Grid Corporation and Rural Electrification Corporation. The pay out on NIF was ₹ 84.81 crore in the year 2008-09, ₹ 248.98 crore in the year 2009-10, ₹ 107.32 crore in 2010-11 and ₹ 163.19 crores in 2011-12. There is a criticism; disinvestment has been merely a revenue-raising affair for the Government, with little thought being given to the requirements of the firms concerned.

Hence, it is suggested that, not to use sale proceeds to finance budget deficits-retire national debt. Government should use the proceeds of disinvestment for restructuring PSUs, social sector projects like which care education, health, employment and infrastructure sectors.

TRANSACTIONS AND REALIZATIONS

The total receipts from the process of disinvestment was ₹ 1,00,264.72 crore from 1991-92 to Jan 2012. Lion's share of such receipts accrued from sale of minority share holding. The total realization from sale of minority shares of equity in CPSE's has been ₹ 82,199.70 crore, which is approximately 82 percent of the total receipts of ₹ 1,00,264.72 crore from disinvestment till Jan.2012. The receipts through sale of majority shareholding of one CPSE to another CPSE was ₹ 1,317.23 which is around 1.31 percent of the total amount ₹ 1,00,264.72 crore. The total amount raised through strategic sale was ₹ 6, 344.35 crore which is around 6.33 percent. Receipts from other
related transactions and sale of residual shares have accounted for ₹ 4005.17 and ₹ 6398.2 respectively.

The Government set a target of ₹ 40,000 crore for 2010-11, but realised only around ₹ 22,000 crore. The situation worsened in 2011-12, when it got just ₹ 14,035.00 crore as against the target of ₹ 40,000 crore. With the stock market experiencing turbulence, the Government missed its disinvestment targets during last two financial years. The Government has fixed a target of ₹ 30,000 crore for 2012-13.


BHARAT HEAVY ELECTRICAL LTD (BHEL)

Bharat Heavy Electricals Limited is an integrated power plant equipment manufacturer and one of the largest engineering and manufacturing companies in India in terms of turnover. BHEL established in 1964, ushering in the indigenous Heavy Electrical Equipment industry in India-a dream that has been more than realized with a well-recognized track record of performance. The company has been earning profits continuously since 1971-72 and paying dividends since 1976-77.

Performance of BHEL

Turnover of BHEL Company has quadrupled and profit has increased by six times during last six years from 2005-06 to 2010-11. Top line of the company was ₹ 43,337 crore, recording the strong growth of 27%. With Profit Before Tax of ₹ 9006 crore and Profit After Tax of ₹ 6011 crore, the profitability rose appreciably by 37%
and 39% respectively during the year in 2010-11. Economic Value Addition (EVA) reached ₹ 3,793 Crore, a 42% y-o-y increase. EPS on the post-bonus equity capital increased to ₹ 122.80 in 2010-11 against previous year’s ₹ 88.06. Turnover increased continuously, during the period of the study. It increased six times from 2001-02 to 2010-11. Turnover in 2001-02 was ₹ 7287 crore, increased to ₹ 43337 crore in 2010-11. Profit after tax increased more than 12 times. It increased from ₹ 469 crore in 2001-02 to ₹ 6011 crore in 2010-11. During the period of study BHEL has shown considerable good growth rate. Even, in economic recession, BHEL has shown tremendous performance.

NATIONAL THERMAL POWER CORPORATION LTD.

India’s largest power company, NTPC was set up in 1975 to accelerate power development in India. NTPC is emerging as a diversified power major with presence in the entire value chain of the power generation business. Apart from power generation, which is the mainstay of the company, NTPC has already ventured into consultancy, power trading, ash utilisation and coal mining. NTPC ranked 341st in the ‘2010, Forbes Global 2000’ ranking of the World’s biggest companies. NTPC became a Maharatna company in May, 2010, one of the only four companies To be awarded this status.

Total income of NTPC company for the year 2010-11 increased by 16.59% to ₹ 57399.49 crore from ₹ 49233.88 crore during the previous year. Net profit after tax increased to ₹ 9102.59 crore from ₹ 8728.20 crore registering a growth of 4.29% over last year. The total dividend for the year 2010-11 is ₹ 3.80 per equity share of ₹ 10 each which is equal to the amount of dividend paid last 2009-10. The total dividend payout for the year amounting to ₹ 3133.26 crore represents 34.42 % of the profit
after tax. Operating income increased from ₹ 18477 crore in 2001-02 to ₹ 57399 crore in 2010-11, it was tripled during the period. Profit after tax moved up from ₹ 3540 crore to ₹ 9103 same period, it increased more than doubled. During the period of study NTPC has shown tremendous growth rate. Even, in economic slowdown it posted good profits.

HINDUSTAN PETROLEUM CORPORATION LIMITED

HPCL is a Government of India Enterprise with a Navratna Status, and a Fortune 500 and Forbes 2000 company, with an annual turnover of ₹ 1,32,670 Crores and sales/income from operations of ₹ 1,43,396 Crores (US$ 31,546 Millions) during FY 2010-11, having about 20% Marketing share in India among PSUs and a strong market infrastructure. HPCL's Crude Thruput and Market Sales (including exports) are 14.75 Million Metric Tonnes (MMT) and 27.03 MMT respectively in the same period.

Performance of HPCL

Sales\income from operation increased from ₹ 44456.98 crore in 2001-02 to ₹ 142396.49 crore in 2010-11. It increased more than three times and net profit increased from ₹ 788 crore to ₹ 1539 crores, it almost doubled in the same period. During the period of the study HPCL has shown significant performance. Even, in economic slowdown HPCL posted good profits.

STEEL AUTHORITY OF INDIA LTD

Steel Authority of India Limited (SAIL) is the leading steel-making company in India. It is a fully integrated iron and steel maker, producing both basic and special steels for domestic construction, engineering, power, railway, automotive and defence
industries and for sale in export markets. SAIL is also among the five Maharatnas of the country's Central Public Sector Enterprises.

**Performance of SAIL**

Turnover of ₹ 47,041 crore in 2010-11 compared to ₹ 43,935 crore 2009-10, showing 7% year on year growth. Total dividend payout of 24% (₹ 2.40 per share), including interim dividend of 12%. Net worth as on 31.3.11 was ₹ 37,069 crore compared to ₹ 33,317 crore last year. Capex touched a record ₹ 11,280 crore in 2010-11 6% higher than the previous year. The company had liquid assets of ₹ 17,142 crore as on 31st March, 2011 invested in short term deposits with scheduled banks against borrowings of ₹ 20,165 crore as on 31st March, 2011. Net sales increased ₹ 13519 crore in 2001-02 to ₹ 42719 crore in 2010-11, it increased more than 3 times. The Company has shown negative in the years in 2001-02 and 2002-03. The Company turn around in 2003-04 showed profit after tax ₹ 2512 crore. It showed net profit after tax in 2010-11 was ₹ 4905 crore. It almost doubled from 2003-04 to 2010-11. During the period of the study, SAIL has shown significant growth rate. Even in economic recession SAIL has shown good performance.

Central Public Sector Enterprises, like the Bharat Heavy Electricals Ltd. (BHEL), National Thermal Power Corporation (NTPC), Hindustan Petroleum Corporation Limited (HPCL), and Steel Authority of India Limited (SAIL), have scaled new heights in terms of production, dividend record and social responsibility. Not only has the Indian economy escaped the onslaught of Wall Street, but many Public Sector Enterprises are (PSE) in India fought well with the sagging economy compared to private sectors due to their conservative approach all along. They didn't curtail staff strength like their counterpart. On the contrary, they posted significant
The number of chronically-sick enterprises has steadily gone down as many have started earning operating profits. Even when the stock market has crashed like never before, the quoted prices of the listed PSE shares have declined marginally. Three out of the 10 leading companies listed on the Bombay Stock Exchange are Public Sector Enterprises as on 31 May 2012.

INVESTORS ATTITUDE TOWARDS INVESTMENT IN PSUS

Most of the investors are investing in PSUs. Large number of investors consists of PSU stocks in their portfolios. Especially, in economic slowdown most of the investors shifted their portfolio from private sector stocks to public sector stocks. Around 57% of the investors aware about the disinvestment programme. Even though without aware about the Government’s disinvestment programme, about 240(80%) respondents out of 300 are investing in PSU stocks. Around 73% (175 out of 240) of the investors satisfied about the dividend payment of PSU stocks. In Financial meltdown, most of the PSU companies, with a better show in terms of net profit and paid dividend regularly to the investors, especially PSU banking stocks paid good rate of dividend. In the past few years economic slowdown, 71.25% (171 out of 240) of investors satisfied regarding capital appreciation of PSU stocks. Around 69% (166 out of 240) of the investors opined they are satisfied about the expected rate of return from PSU stocks. 68% (163 out of 240) of investors felt satisfied regarding corporate governance. Investors opined, they are regularly receiving annual reports and information from PSU stocks. List all profitable Central Public Sector undertakings on stock exchanges and increase public shareholding in the ones listed, to facilitate in improvement in corporate governance. Higher disclosure levels are that bring about greater transparency and accountability in the functioning of the Central Public Sector Enterprises. More than half of the investors are investing both primary market and
secondary market and 39% (92 out of 240) investors are investing only in secondary market. In economic recession most of the private sector IPO's are not subscribed well. Whereas, Public Sector Enterprises companies IPO’s are subscribing well. Public sector enterprise, Coal India’s initial public offering, acknowledged as India’s biggest ever, receiving an overwhelming response in the market, being oversubscribed 15 times. Around 70% (167 out of 240) of investors are investing in both PSE stocks (BHEL, NTPC, ONGC etc.) and Banking stocks (Public Sector). 73% (175 out of 240) of investors felt that less risk in investment in PSU stocks.

There is a sense of confidence in investor circles about the Indian PSU stocks as they enjoy the perceived value of reliable revenue streams, tried-and-tested business models and strong balance sheets. Most of the PSUs posted profits during the period of recession and also distributed higher dividend to share holders. This signifies that the PSUs dealt with the slowdown in the economy much better than the private companies. Public sector undertakings (PSUs) in India have weathered the economic slowdown better than their private sector counterparts. This is a reflection in large measure, of the strengths of the Indian economy, one of which is a robust and reliable public sector undertaking.

In view of above this, hence it is suggested that list CPSEs on domestic stock exchanges. The public sector character of the listed companies will be maintained as at least 51% shareholding remains with the Government. The current disinvestment programme provides a big opportunity for the retail investors to participate in the wealth creation process of Indian PSUs. Further, the listing of PSUs on the stock exchanges brings more visibility into the operations of those companies. More importantly, that disinvestment can be used as a big weapon to increase awareness
about capital markets in the circle of retail investors. Government has to give Public Sector Enterprises the flexibility and autonomy they require to operate effectively in a competitive environment and delegate more powers to the Boards of Navratna and Miniratna companies. Government has to encourage the listing of Public Sector Enterprises on the stock markets as this would unlock the true value of a company, improves its corporate governance standards and also help it in raising resources for funding future expansion plans.

**PERFORMANCE OF PSES**

Public Sector Enterprises have been set up to serve the broad macro-economic objectives of higher economic growth, self-sufficiency in production of goods and services, long term equilibrium in balance of payments and low and stable prices. While there were only five Central Public Sector Enterprises (CPSEs) with a total investment of ₹ 29.00 crore at the time of the First Five Year Plan, there were as many 248 CPSEs (excluding 7 Insurance Companies) with a total investment of ₹ 6,66,848 crore as on 31st March, 2011. The CPSEs play a critical role in the Indian economy. They influence the growth in the economy and are affected by the overall growth in the economy. As against the nominal GDP growth of 18.80 per cent (at current market price) in 2010-11, the gross value addition by all the CPSEs (exclusive of under recoveries) grew by 10.03 per cent during the year (if however, ‘the under recoveries’ are added, then the gross value addition by all CPSEs during the year increased by 13.40 per cent).

There were altogether 248 CPSEs under the administrative control of various ministries/departments as on 31 March 2011. Out of these, 220 were in operation and 28 were under construction. In 2010-11, 158 profit making enterprises earned a total
profit of about ₹ 1, 13,770 crore and only 62 loss making enterprises incurred a total loss of ₹ 21,693 crore. During the period from 2001-02 to 2010-11, Number of operating Enterprises decreased from 231 to 220. Number of Profit making CPSEs increased from 120 to 158 and where as number of Loss Incurring CPSEs decreased from 109 to 62. Investment defined as aggregate of paid-up share capital, share application money pending allotment and long term loans in CPSEs has grown from ₹ 29 crore in 5 enterprises as on 1.4.1951 to ₹ 6,66,848 crore as on 31.3.2011. In addition, the CPSEs have accumulated a large amount of Reserves and Surplus which stood at ₹ 6, 65,487 crores as on 31.3.2011. Total turnover of all 220 operating CPSEs stood at ₹ 14, 73,319 crore in 2010-11 as compared to ₹ 4, 78,731 crore in the year 2001-02, increased compound annual growth rate (CAGR) of 11.89%. Capital employed had been showing a continuously increasing trend. Capital employed increased from ₹ 38,9934 in 2001-02 crore to ₹ 94,9499 crore in 2010-11 with a compound growth rate of 9.31%. Total income of all CPSEs during 2010-11 stood at ₹ 14, 97,903 crore compared to ₹ 12, 72,219 crore in 2009-10, showing an increase of 17.74%. Total income increased from ₹ 49,8315 crore in 2001-02 to ₹ 149,7903 crore in 2010-11, recorded a growth rate of 11.63%. Net Profit before Extra-ordinary item and prior period adjustment increased from ₹ 25,978 crore in 2001-02 to ₹ 86,324 crore in 2010-11 registering a growth rate of 12.76%. Dividend went up from ₹ 8068 crore in 2001-02 to ₹ 35,681 crore in 2010-11. It has been observed during the period dividend recorded a growth rate of 16%. Profit of profit making CPSEs went up from ₹ 36,432 crore to ₹ 113,770 crore and loss of loss incurring CPSEs moved up from ₹ 10,454 crore to ₹ 21,693 crore. An enormous increase in Profit of profit making CPSEs registered growth rate of 12.06% whereas, loss of loss incurring CPSEs showing growth rate of only 7.57%.
During the period of study 2001-02 to 2010-11, CPSEs has shown tremendous growth rate. Even in economic slowdown CPSEs posted good profits.

A perusal of profit related ratios shows a general improvement in profitability of CPSEs over the years. In comparison to 2009-10, however, the profitability ratios in terms of net profit to turn over and net profit to net worth declined in 2010-11, whereas net profit to capital employed and dividend payout increased during the year.

PBDITEP to Capital employed ratio is little bit fluctuating but overall performance of the CPSE’s for the decade is significantly good. It has been observed that it was reached highest ratio i.e., 28.26% in 04-05, after that it is showing fluctuating trend. It, however, increased marginally i.e., from 23.26 in 2009-2010 to 23.97% in 2010-2011. The CPSEs Net profit to turnover margin has been increasing from 5.43% to 6.25% in 10-11. It reveals that the CPSEs are operating more efficiently in operating expenses. It is a good signal that the CPSEs will make good profits when the demand increases. Net profit to Capital employed for CPSEs over the period is considerably good. It has been observed that the overall performance of CPSEs with respect to the net profit to capital employed increasing from 6.66% in 2001-2002 to 9.70 %in 2010-2011. It was showing increasing trend in the inception after that slightly decreasing. Even though when the world economic conditions are not good at that time also they showed good performance. The CPSEs are distributing highest dividends to its shareholders from the past 10 years is significantly good. The CPSEs are increased their dividend payout from 31.06 in 2001-2002 to 38.81 in 2010-2011. The dividend growth rate of CPSEs from the past 10 years is considerably satisfactory. It has been observed that the CPSEs are paying handsome returns to its share holders for the entire decade.
During the Decade the CPSEs performance is considerably good and the CPSEs Growth is substantially high over the period of study hence CPSEs can attract the future investments. The CPSEs are able to pay increasing handsome returns to its shareholders for the successive years.

The share of ‘manufacturing’ CPSEs in gross block was the highest at 27.83 percent followed by ‘electricity’ (25.16%), ‘services’ (23.20%) and ‘mining’ (22.99%) during 2010-11. Gross block in top ten enterprises amounted to ₹ 8,70,431 crore as on 31.3.2011. This was equal to 68.88 percent of the total gross block in all CPSEs. Oil & Natural Gas Corporation Limited, Bharat Sanchar Nigam Ltd, and NTPC Ltd are the top three CPSEs amongst the top ten CPSEs in terms of gross block during the year 2010-11. The share of these three CPSEs alone was 37.92% of the total gross block of all the CPSEs as on 31.3.2011. In terms of profitability, the PSEs showed diverse patterns. In, 2010-11 The profit of profit making CPSEs stood at ₹ 113770 crore 158 enterprises made a profit with the top 10 among them giants such as the Oil and Natural Gas Corporation (ONGC), the National Thermal Power Corporation (NTPC), the Indian Oil Corporation (IOC), NMDC, BHEL, SAIL, COAL India, GAIL (India), Oil India, and Power Grid corporation-accounting for close to 58.65 per cent of the total net profit of ₹ 92,077 crores. During that year, there were 62 loss-making enterprises with a total loss of ₹ 21,693 crores. Amongst the loss making companies, Air India Ltd., Bharat Sanchar Nigam Ltd. and Mahanagar Telephone Nigam Ltd. were the top three loss making enterprises during 2010-11. The top ten loss making Companies covered nearly 92.55% of the total loss made by all the CPSEs during the year. The top three CPSEs namely Air India Ltd., BSNL and MTNL alone have incurred a loss equal to 74% of the total loss of all CPSEs in 2010-
11. Intense price war and cut-throat competition from new entrants, increase in salary & wages and increase in operating cost as well as increase in interest cost contributed to greater losses during the year. The CPSEs also contribute heavily to the central exchequer. Contribution of CPSEs to Central Exchequer stood at ₹ 1, 56,124 crore in 2010-11. The CPSEs made substantial contribution to the Central Exchequer through payment of dividends, interest on Government loans and taxes & duties.

In view of the emerging opportunities in the global economy, PSEs were allowed to explore business and growth in international markets. There is a sizeable growth in the foreign exchange earnings of the CPSEs. Among the exports, merchandise forms are the bulk of the earnings, whereas in imports, it is raw materials, stores, spares and components and capital goods. CPSEs are also beginning to access global financial markets for resource mobilization. CPSEs were mobilised from abroad more than of ₹ 500 crore in the form of secured loans and unsecured loans during 2010-11. International finance refers mainly to external commercial borrowings supplier’s credit, fund raised through the equity market abroad. Share of the MTNL (ADR) are the listed on the New York stock exchange and GAIL (GDR) and SAIL (GDR) are listed on the London stock exchange.

When India began the process of liberalized Indian economy in the early nineties, many experts were of the view that our Public Sector Enterprises would not be able to face local and increased global competition. Many years down the line, these fears and apprehensions have proved to be unfounded. Public Sector Enterprises have done quite well and they are now poised to grow even faster in years to come. With the integration of Indian economy global market place, recent time is witnessing Indian Public Sector Enterprises venturing into foreign soil for
major initiatives. The strength and vitality of the PSEs were more than proved when they continued their good show during the global economic recession. During the recent economic meltdown, the worst since 1929, the Indian economy was amongst the least affected and has been one of the key drivers in facilitating global turnaround. The resilience of the Indian economy has been substantially helped by the robustness performance of Public Sector Enterprises.

Hence, it is suggested that not to privatize public sector enterprise, CPSEs have grown tremendously over the period in terms of investment, profitability, market capitalization, product and services since independence. These are healthy developments which have improved the image of the public sector in terms of profitability. CPSEs had been born out of the imperative need of newly independent India to achieve socio-economic objectives of higher economic growth, equitable distribution of income, employment generation, removal of regional imbalance, self sufficiency in production of goods and services long term equilibrium in balance of payments and low and stable prices, etc. Even in post liberalization period (1991), contrary to the general belief, India’s public sector growth has been a matter of pride. Capital employed in 237 CPSEs as on 31.03.1992 was ₹ 118000 crore which increased to ₹ 949499 crore. Similarly, profit of profit making CPSEs increased from ₹ 6000 crore to ₹ 113770 crore during the same period. The growth of Public Sector Enterprises post liberalization and finally the critical role played by them in saving the country from the vagaries of the global economic crisis.

In the post reform period, i.e. 1990-91 to 2010-11, their turnover increased more than twelve times and their cumulative net profit has grown more than 39 times. Gross profit to capital employed increased enormously between 1990-91 and 2010-
11. Though some of them have not done so well in this period, on the whole, Public Sector Enterprises have reasons to be confident about the ability of India’s public sector to operate in an increasingly open environment and thereby face the challenge of increased competition both domestically and globally.

In recent, global economic slowdown, which has affected, the large part of the world and which has shown some signs of moderating presently. India has weathered the slow down better than most other countries. India today happens to be the second fastest growing economy in the world. This is a reflection in large measure, of the strengths of the Indian economy, one of which is a robust and reliable public sector. Public Sector Enterprises will continue to play a very significant role in processes of nation building, as they have been doing all these years.

MARKET CAPITALISATION

CPSEs are important constituent of the stock markets. There are 50 CPSEs listed on the stock exchanges of India as on as on 31 May 2012, contributed about 20% of the total market capitalization. CPSEs constitute 20.12% and 20.51% of the total market capitalisation of companies listed at BSE and NSE respectively as on 31 May 2012. ONGC, Coal India and NTPC have ranked first, second and third CPSEs respectively amongst the top ten companies by market capitalization.

Total disinvestment proceeds from CPSEs public offers stands at ₹ 68,074 as on 31 may 2012. ₹ 45,713 crore of fresh capital has been raised by PSUs through public offer as on 31 may 2012. The PSU with the highest market capitalization is ONGC is ₹ 2, 17,053(as on 31 may 2012). VSNL was the first CPSE to be divested by way of a Public Offer in 1999-00. ONGC Public Offer in 2003-04 has been the largest CPSE FPO, raising ₹ 10,542 crore. Power Trading Corp.’s IPO in 2003-04
received the best-ever response from retail, with the retail portion getting oversubscribed by over 40 times. The maximum number of applications received in a PSU IPO/FPO since 2003-04 was in CIL (15.96 lakhs) followed by NTPC (14.40 lakhs). Power Finance Corp.’s IPO in 2006-07 was the largest oversubscribed IPO, oversubscribed by 76.76 times Coal India Public Offer in 2010-11 has been the largest CPSE IPO, raising ₹ 15,199 crore. In PSU Offerings (NTPC, PFC, PGCI, REC, NHPC, OIL, SJVN, CIL, MOIL and PSB), the Government has made a gain of ₹ 1, 25,967 crore over the issue price (as on 31 May 2012) since their listing dates. The maximum amount raised by PSUs from the capital market in any year was ₹ 31,081.53 crore in 2009-10. The maximum amount raised through disinvestments from capital market in any year was ₹ 22,763 crore in 2010-11.

Based on the growth witnessed in market capitalization of the listed CPSEs, it is observed that they have emerged as major wealth creators for investors/stakeholders. In the backdrop of the global meltdown in during 2008-09, most Bombay Stock Exchange indices gave negative returns, but the BSE PSU index registered the lowest negative return. The market capitalization of CPSEs decreased by 28% over 2007-08. Even then, the wealth erosion in CPSEs was relatively lower than the decline in overall market capitalization (around 40% in the BSE) during the same period. CPSEs are the wealth of the nation and through public offerings the Government has endeavored to unlock the true nature of these public sectors and most important to provide an opportunity to the people of India to become shareholders in these companies.

Hence, it is suggested that list profitable CPSEs on domestic stock exchanges. The public sector character of the listed companies will be maintained as at least 51%
shareholdings remain with the Government. However, the Government also realizes the importance of market forces and the role of enhanced corporate governance in taking a company to higher levels. But greater autonomy and delegation must be followed closely by greater sense of accountability to their shareholders. While the CPSEs have begun to enjoy substantial autonomy as far as Government control is concerned, it is time that our Maharatna, Navratna and Miniratna companies should show their mettle in the capital market. There is no better mechanism for making a company more accountable for its actions than to be made answerable to a larger body of shareholders. The movement of the share price of a company on the stock market acts like a barometer of the health of a company and the policies being adopted by its management. The regulatory disclosures required for a listed company brings in greater transparency in the functioning of the company. But most importantly the true worth of a company can only be gauged once it is listed and its shares are publicly traded which unlocks the true value of the company. Since India's independence, PSEs have contributed significantly towards the growth of the Indian economy. All the private companies had either cut down on production or went slow on their investment plans during the economic slowdown. CPSEs did not cut back on production and went ahead with their investment plans. Public Sector Enterprises had helped the country in maintaining the growth momentum during the economic slowdown. In terms of corporate social responsibility (CSR), the role played by CPSEs was enviable, CPSEs performed well in terms of resource efficiency. The Central Public Sector Enterprises are (CPSEs) operating in sectors like oil, power, coal and steel have profitable subsidiaries which could be listed on the bourses. The listing of subsidiaries will help in raising resources for the PSUs and paying better
dividends to the Government. The fund flow will encourage CPSEs to buy back their shares and promote the disinvestment programme of the Government.

Many companies in the public sector have proved themselves to be wealth creators and profit generators. In recent times, the credible performance of public companies in the stock market shows the public confidence in them. Some have also emerged as effective players in the international markets. The 2009 Forbes list of 2000 companies includes 47 Indian companies. Among these, 25 were Indian public sector companies. Of the seven ranked Indian companies in Fortune 500 listing in 2009, five were Central Public Sector Enterprises (CPSEs). Besides the State Bank of India, which led the CPSEs, the tally included ONGC, Indian Oil and NTPC among the top 350 global companies. Others included in the list were SAIL, BPCL, BHEL, HPCL, GAIL and NMDC. With such achievements, the CPSEs have spread its wings to undertake ventures in all continents of the globe. The sector has been successfully ensuring India's march towards becoming global economic power over the next two decades.