

DG SCOPE's Interview

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## 'Public sector enterprises are investor-friendly as it offers stability'

**T**he public sector in the country has come a long way. It has been part of a journey that had good and bad days. The sector has been at the forefront during the times of struggle. The role of this sector during the COVID-19 times is much more critical, says **ATUL SOBTI**, Director General of SCOPE and former CMD of BHEL, in an interview with FPJ team.

**Edited excerpt:**

**What is the focus of SCOPE in the changing business environment?**

SCOPE (Standing Conference of Public Enterprises) is the apex body that is promoting competitiveness and excellence in the Public Sector Enterprises (PSEs). SCOPE is developing itself into a dynamic organisation with innovative programmes.

The present business environment has largely changed due to COVID-19. Businesses have developed alternative models of working to continue with economic and business activities smoothly. This is valid to Public Sector entities as well.

Turning crisis into an opportunity, during the pandemic, SCOPE has launched many new initiatives like webinars series with national and international experts among other activities. Also, SCOPE has launched many new in-depth studies to do more meaningful work for the PSEs. Some of the studies launched by SCOPE are on climate change with GLZ, Germany; leadership development with CCL, USA; women empowerment with ILO etc. We also plan to launch a digital maturity study for PSEs in the coming times.

**Do you consider PSEs to be under-performers or a victim of low or no publicity?**

Well, neither. They are star performers and have been considered as partners in forwarding the Government mission. Historically PSEs were set up by the Government of India with the objective of economic development, socio-economic obligations and self-reliance. Analytically PSEs contributed over 13 per cent to the Indian economy's GDP based on turnover in 2018-19. In 2018-19, 249 operating PSEs earned a gross revenue of Rs 25.43 lakh crore.

Unlike the common belief about



the financial health of PSEs, around 72 per cent PSEs are profit-making and earn a total net profit of Rs 1.75 lakh crore. Further, all CPSEs contributed Rs 3.68 lakh crore by way of taxes, duties, interest, dividend etc. to the central exchequer; earned an overall net profit of Rs 1.43 lakh crore (all 249 enterprises) and declared/ paid a dividend of nearly Rs 72,000 crore.

150 PSEs spent over close to Rs 3,900 crore annually on CSR activities registering a growth of approximately 13 per cent in the CSR expenditure over the previous year. Besides CSR, PSEs are a huge employment generator.

**Besides being economically relevant, do you think they are investor-friendly?**

Absolutely. PSE stocks are considered safe investments by investors. The trust of investors in PSEs has been strengthened since the global meltdown of 2007-09 when private sector across the globe registered negative growth rates while Indian PSEs stood strong with growth of 10 per cent in net profit in 2009-10 and a healthy profitability ratio (net profit to total revenue) of around 7 per cent. Further, where shareholders were facing diminishing

wealth due to loss in market valuation of companies, PSEs maintained investors' trust and continued a healthy dividend payout ratio of 35-36 per cent. It may be worth noting that only 56 PSEs command a market capitalisation of nearly 10 per cent on the BSE.

PSEs continue to hold the trust and faith of the investors by maintaining a dividend payout ratio of over 50 per cent. Hence, investors prefer allocating a significant percentage of their investments to the PSEs while building a stable portfolio of stocks. In fact, besides individuals, PSE stocks are considered lucrative by investors, fund managers, FIIs as well as insurance companies.

**How do you envisage the role of PSEs in the coming future?**

With a new world order likely to be in place post the pandemic, PSEs have a new strategic role while the country undergoes yet another transformation to become a leading self-reliant economy. In my opinion, PSEs would be more significant and critical than the previous role. Now, they have to push the economy on an upward momentum and make India self-reliant as the country gears up to revive growth.