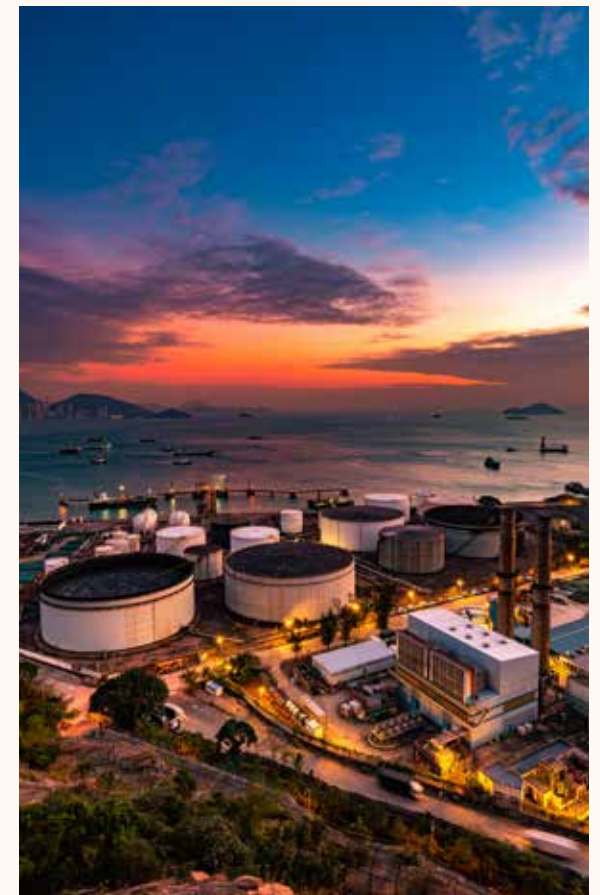


Roadmap for Atmanirbharta & Viksit Bharat@2047

PSUs DRIVING SUSTAINABLE GROWTH



Indian Public Sector Enterprises: Inspiring Journey of Growth, Development and Empowerment



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On the eve of independence, India stood on the zenith of freedom, but its economy lay in a sensitive state marked by centuries of colonial exploitation. The nation was primarily characterized by an agrarian structure with a weak industrial base, regional imbalance in economic development, low level of savings and inadequate infrastructure facilities.

The pressing need for reconstruction of the nation called for a collaborative effort both by the government and the society, necessitating the sector to step forward and play an instrumental role in shaping the country's future. In this light, the need for a 'mixed economy' structure was felt where both private and public enterprises would contribute towards a balanced industrial growth. While the private sector was looked upon to strengthen the industrial base, but given their limited capacity to undertake large, capital-intensive investments at the time, led to the birth of the Public Sector Enterprises (PSEs) to meet the objective of striking a balance between economic growth with equal focus on social justice.

Genesis of Public Sector

To steer the nation towards progress, it was essential to adopt a structured approach and therefore, as a first step, various policies and reforms were introduced in order to create an enabling environment for the PSEs. The role of State in development process was incorporated in the planning process with the Industrial Policy Resolution of 1948 wherein the government enunciated the basic principles of industrial development defining the role of State in industrialization of the country. The 1956 Industrial Policy Resolution and the policy of Planned

Development further strengthened the role of the Public Sector as an effective instrument to rebuild the country. As time progressed, the pressing need for global integration became imperative to enhance growth and competitiveness in an increasingly interconnected world. Thus, the Government of India introduced the transformative New Economic Policy (NEP) of 1991, which prioritized liberalization and globalization. This was the turning point in the history of the public sector fraternity as industrial sectors were liberalized for investment and competition by the private sector. Considerable emphasis was also placed on ensuring accountability for their performance, resulting in the system of Memorandum of Understanding (MoU) between PSEs and their Administrative Ministries, which enabled setting defined parameters to ensure concerted efforts to achieve established objectives.

Sunshine Era of the Public Sector

The year 2000 onwards, there was a notable shift in the policy framework in the country, which reaffirmed the vital role of the PSEs in the service of the nation. Policies enabled granting full managerial and commercial autonomy to the successful profit-making companies operating in a competitive environment. During this period, several other policy initiatives were also introduced to strengthen the PSEs, including formation of Ad hoc Group of Experts for reforms in PSEs. The period also witnessed a heightened focus on enhancing Governance practices in the Public Sector and the introduction of Independent Directors served as a crucial oversight mechanism, while the formation of Audit Committees, Comptroller and Auditor General (CAG), the Central Vigilance Commission (CVC),

and regulations from the Securities and Exchange Board of India (SEBI) established stronger checks and balances to promote best practices in corporate governance.

Additionally, the Board for Reconstruction of Public Sector Enterprises (BRPSEI) was established to undertake strengthening, modernizing, reviving and restructuring of financially distressed Central Public Sector Enterprises (CPSEs), while encouraging the listing of more CPSEs on stock exchanges. Moreover, the introduction of Performance Related Pay as part of the pay revision for CPSE executives aligned with global practices, enabling Indian PSEs to integrate more fully with the world economic order. Furthermore, to enhance functional autonomy for PSEs, the Miniratna, Navratna, and subsequently the Maharatna status was developed in 2010 for well-performing companies. These designations were awarded based on demonstrated management efficiency and profitability, granting these units greater operational flexibility and freedom from government control. Autonomy became a central theme

stimulate balanced industrialization for realization of socio-economic goals, have emerged as self-reliant global corporate entities today with a focus on higher sustainable and inclusive economic growth. These enterprises are no longer bound by domestic boundaries in their operations and are increasingly imbibing new age management tools of corporate social responsibility and sustainable development.

Powered by strategic technological advancement, excellent performance and internalizing best global corporate governance practices, PSEs have catapulted themselves as a frontrunner in new economic paradigm and displayed resilience even in the most challenging times, be it the world economic recession of 2008, the resultant slowdown of the Indian economy, or the COVID 19 Pandemic.

With their foundation in the principles of good corporate governance, the PSEs have thus demonstrated prowess, performance and resilience and along with enhancing the socio-economic development of the nation, and have emerged as model entities of excellence.

In addition to their impactful contributions, the PSEs have demonstrated considerable financial growth, which can be seen from the fact that at the time of First Five Year Plan (1951-1955) there were only 5 PSEs with a total investment of ₹ 29 Crores which has increased substantially over 4002 PSEs in 2022-23 with an investment of ₹ 25.35 Lakh Crores². Further, over the years, PSEs have recorded a remarkable growth in key performance parameters.

Demonstrating formidable financial strength, the PSEs recorded a Gross Revenue of ₹ 37.9 Lakh Crores² (approximately \$451 Billion), which is more than GDP of countries like Hong Kong SAR (\$382 billion), almost equivalent to GDP of Singapore (\$500 billion), Norway (\$485), UAE (\$504 billion) and more than GDP of Pakistan and Sri Lanka put together (\$338 billion and \$84 billion). This reflects the enormity of the gross revenue that PSEs are generating!

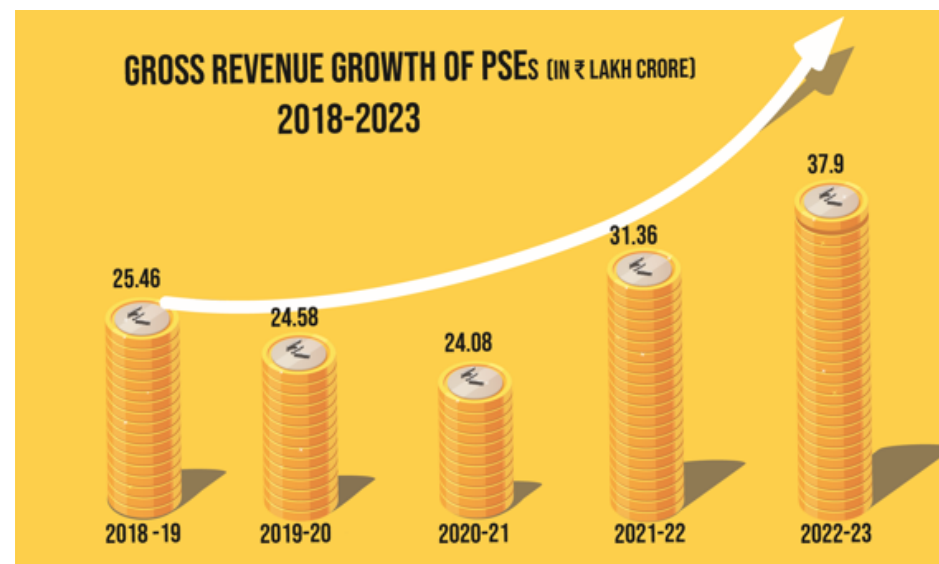
Besides operational efficiency, PSEs have also displayed a focused approach towards commercial viability. In 2022-23, out of the 2542 operating PSEs, 74% of the PSEs were profit-making, registering an overall Net Profit of ₹ 2.122 Lakh Crores, thus, demystifying the myths surrounding their profitability.



for PSEs, and professionalism gradually took root, enabling them to gain international recognition. While, enhanced corporate governance created an impact on ensuring professionalisation of Boards in PSEs, a major step towards professionalising operations in PSEs was listing of PSEs on the stock exchange, which had led to the PSEs being entrusted as wealth creators by the common man.

A Journey of Excellence from 5 to 402- upward trajectory of performance

The PSEs, initially envisioned to play a historic task to



They are also net contributors to the Indian Economy by way of not only their performance but also in terms of taxes, duties and dividend to the tune of ₹ 4.58 Lakh Crores² in one year itself.

In addition, PSEs have lucid profitability ratios due to which they enjoy highly favourable investor confidence as the PSE stocks record a positive growth in the market capitalisation which, as per latest media reports has surged to 17% of total BSE market capitalisation presently, even though the PSEs represent only about 1.5% of listed companies. This has been adding to the investor wealth given its strong financial resilience, improved corporate governance, high returns and attractive valuations. Additionally, over the years, the PSEs have continued to register high growth on almost all performance parameters and demonstrate sustained improvement in key performance parameters such as Gross Revenue, Contribution to Central Exchequer, Net Profit and Foreign Exchange Earnings, to name a few.

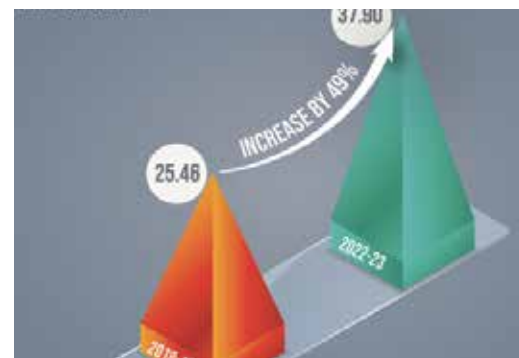
The upward trajectory in performance of the PSEs has contributed significantly to their dominant presence in key strategic sectors of the economy. The Public Sector commands a strong foothold role in the Oil & Gas sector,

contributing 77%³ to the country's oil production and 67%³ to its gas production, ensuring a steady supply of these critical resources, while also safeguarding the nation's long-term energy security.

The strength of the Public Sector is also reflected in the enhancement of the Power landscape of India, where the PSEs have played a key role in electrifying all inhabited villages in the country. This has been possible with the determined efforts of the PSEs thereby contributing nearly 50% to the country's installed capacity of over 4 Lakh MW⁴ today which was merely 1,362 MW⁵ in 1947.

The Public Sector has also played an instrumental role in the Coal Sector, accounting for over 86%⁶, which has positioned India as the second largest coal producer in the world, with a production of 893 MT⁶ in the year 2022-23. Further, as per provisional figures for the year 2023-24, the country has witnessed highest-level of Coal Production at 997 MT⁶, which is 30 times the production of 33MT⁷ during the first five-year plan.

The steady and robust performance of PSEs across the strategic sectors of the economy has solidified their unique and indispensable position in the Indian economy, ensuring that their contributions are both recognized and preserved.



PSEs creating employment – preferred employers

In addition to exhibiting robust performance across key metrics, the PSEs directly employ 1.5 million² people, playing a vital role in enhancing employability and improving standard of living. By offering comprehensive benefits like social security, PSEs empower their workforce, ensuring financial security and a better quality of life.

In addition to making significant contributions to direct employment, the impact of the PSEs also extends to generating employment opportunities across the sectors. The emergence of ancillary units due to penetration of PSEs in remote areas not only creates job opportunities, but also ensures that the benefits of development reach underserved regions, triggering a ripple effect of growth, nurturing local entrepreneurship and fostering sustainable livelihoods. Furthermore, PSEs actively procure goods and services from Micro, Small, and Medium Enterprises (MSMEs) to support local businesses, strengthen supply chains, and empower these enterprises, contributing to



sustainable community development. In the year 2022-23, 210 PSEs procured nearly ₹ 1.4 trillion³ from MSMEs, an increase of 158% over the previous year. This holistic approach fosters a more equitable economic landscape and reinforces the role of the PSEs as catalysts for socio-economic advancement of the nation.

The 'humane' face of PSEs – Corporate Social Responsibility

Besides demonstrating phenomenal performance on economic parameters, the PSEs are also front runners in contributing towards social development by way of Corporate Social Responsibility (CSR) initiatives. It is interesting to note the PSEs recognized the significance of the concept much before CSR became a precept for doing business via Companies Act, 2013. Even prior to the introduction of a legal mandate, PSEs were earmarking funds as per DPE guidelines so as to meet social objectives of development and equality.

In fact, ever since their inception, the PSEs have played a crucial role in promoting equitable development and social inclusion of the nation by extending their operations to the farthest corners of the country, thereby, bringing essential services such as health and education facilities and infrastructure facilities in the innermost parts of the country, resulting in reduced disparities and improved living standards. The commitment of the PSEs in this direction is emulated in the CSR spending of over ₹ 4,000

crore² in 2022-23 alone, with a cumulative spending of over ₹ 22,000 crore² in the last five years.

The PSEs have not only excelled in their contributions, but have also effectively met legal mandates in the form of constituting CSR Committees, successful achievement of CSR targets, appropriate disclosures pertaining to CSR, and so on.

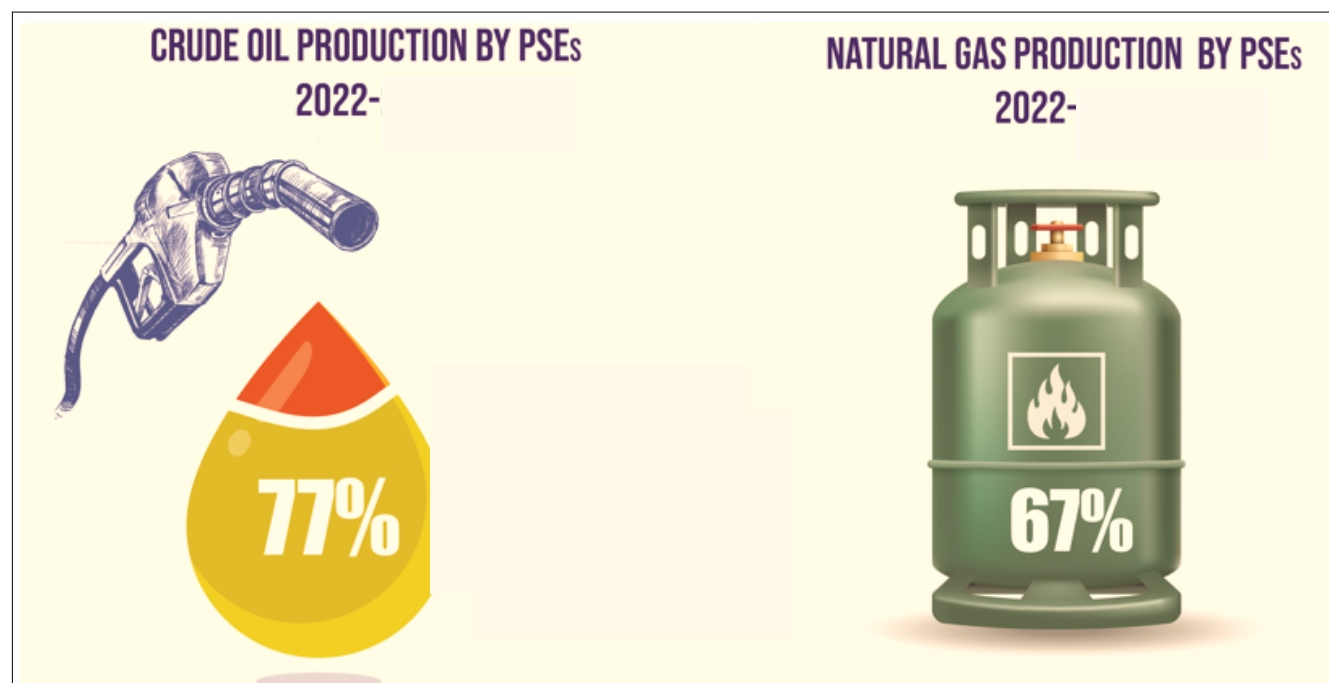
This is evident in the infrastructural development of the remotest part of the country in the form of access to electricity, availability of water in every household, availability of 4G network etc. This is a result of the dedicated efforts of the PSEs and to serve as reliable pillars of support even during the unprecedented times. This was seen during the pandemic, where in addition to extending financial support, the PSEs contributed by manufacturing essential medical supplies such as personal protective equipment (PPE) kits, ventilators, masks, and sanitizers while supporting the workers by continuing to pay their wages and ensuring a safe migration to their villages, thus, firmly supporting the tenacity of the nation in the face of adversity.

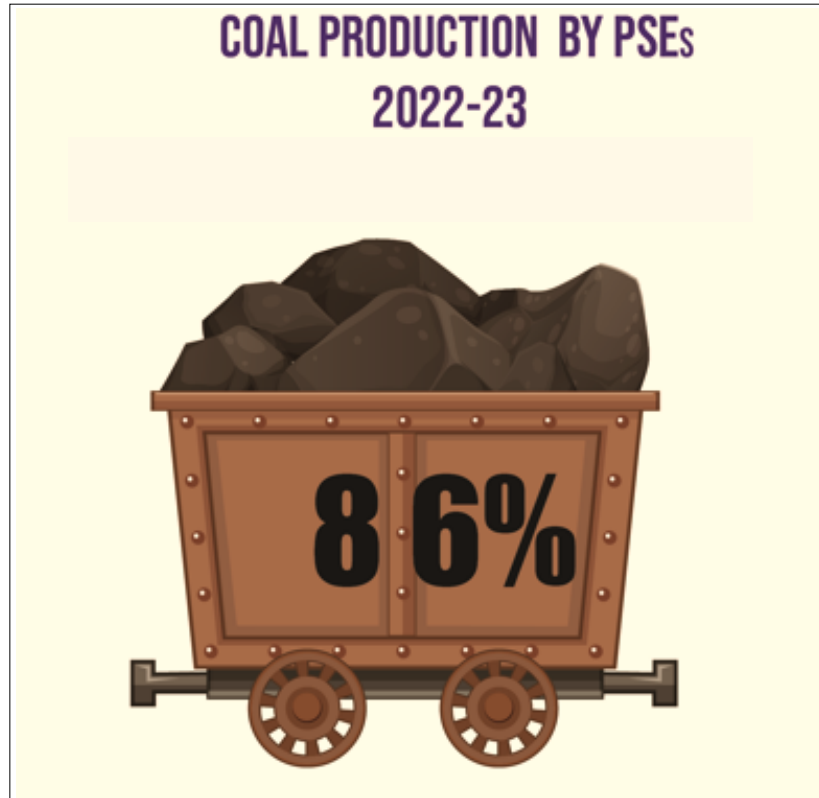
PSEs spearheading initiatives in Emerging Areas

In addition to their pivotal role in conventional domains, the PSEs are making significant strides in emerging fields in the World of Work. These enterprises are embracing forward-looking initiatives in areas including Women Empowerment, Innovation, Climate Resilience and Skilling, thereby setting the stage for future success in a rapidly evolving business landscape.

Women Empowerment

Empowering women is essential for unlocking the true potential of societies, and research shows that as women increasingly engage in unpaid care work, countries experience a notable decline in GDP growth rates. Further, having women in leadership roles is crucial for fostering inclusive environments that drive organizational success, as diverse leadership teams are better equipped to understand and address the needs of a broader audience, leading to enhanced innovation and improved performance. The Public Sector has taken due cognizance of this fact as is reflected in employment statistics indicating that 26%² of women in the PSEs occupy





managerial or executive roles.

Further, an increasing number of women are being appointed to Chairman & Managing Director (CMD) and Director positions which is evident from the fact that presently 11 women serve as CMDs and 14 as Directors, even in domains that have conventionally been male-dominated, such as refineries, exploration, industrial systems, and technical sectors.

Innovation

In today's rapidly evolving global landscape, innovation is more than a driver of competitive advantage; it is a strategic necessity. It serves as a powerful catalyst for enhancing productivity, driving economic growth, and addressing pressing social challenges. Recognizing this, PSEs have established themselves as frontrunners in technological advancements across a variety of critical sectors, including space exploration, defence research, renewable energy, and information technology. Even amid the economic disruptions caused by the pandemic, the PSEs remained committed in their efforts to innovate, as is evident from the Research & Development (R&D) spending of nearly ₹ 5,000 Crore8 in 2020-21 (marking an increase

of 21%8 from 2019-20 despite challenging situation of the pandemic).

This commitment towards innovation is particularly noteworthy, given that while the country spends less than 1%9 of its GDP on R&D, some leading PSEs allocate between 2% and 9% of their revenue towards R&D initiatives.

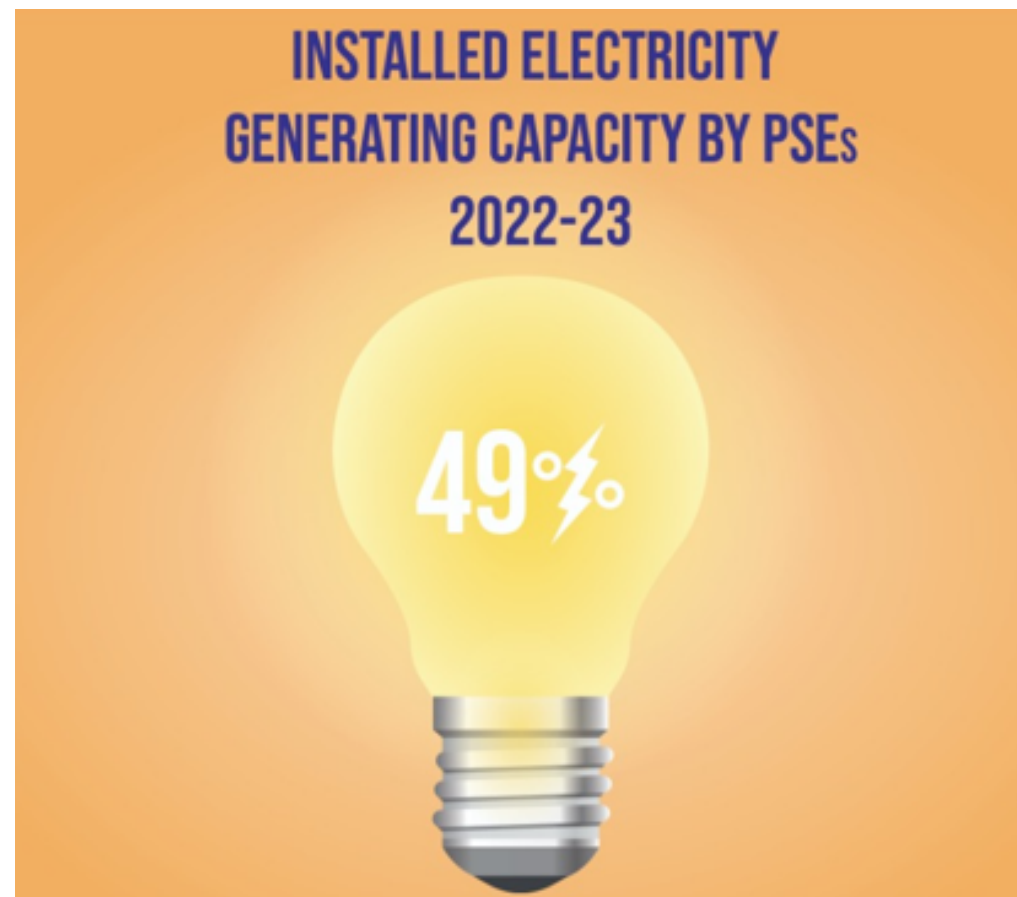
This forward-thinking approach highlights a strategic vision that recognizes the importance of innovation not only as a means to improve operational efficiency but also as a way to build national capabilities. The relentless pursuit of innovation by PSEs positions them as essential players in meeting the challenges of tomorrow while driving sustainable growth today.

Climate Change

As climate change emerges as one of the most critical global challenges, it has become essential for industries to adopt sustainable practices that balance economic growth with environmental responsibility. Given their presence in hard to abate sectors, the proactive partnership of PSEs is imperative for the country to achieve its climate targets. Given their commitment to the national agenda of climate change mitigation, they are vital players in supporting the country to achieve its long-term goal of becoming net-zero by 2070.

Recognising this, around 23 PSEs so far have declared net zero targets in different time intervals of which nearly 90% have declared achievement of target before 2047. To ensure a resilient and sustainable future, PSEs are also undertaking ambitious plans of moving towards renewable projects and also initiating new technologies.

As they dedicate themselves to the nation's growth while being sensitive to the carbon footprint, they have designed and implemented many projects and processes that curtail GHG emissions. These innovative products and processes exceed the corporate social responsibility of planting trees and using LED and portray the technological maturity of the PSEs in optimising science to promote climate action. Besides, these enterprises have made notable strides in developing climate action strategies such as improving energy efficiency, supporting renewable/alternate energy resources, adopting circular economy and forestry initiatives to promote practices that uphold environmental stewardship and foster long-term prosperity.

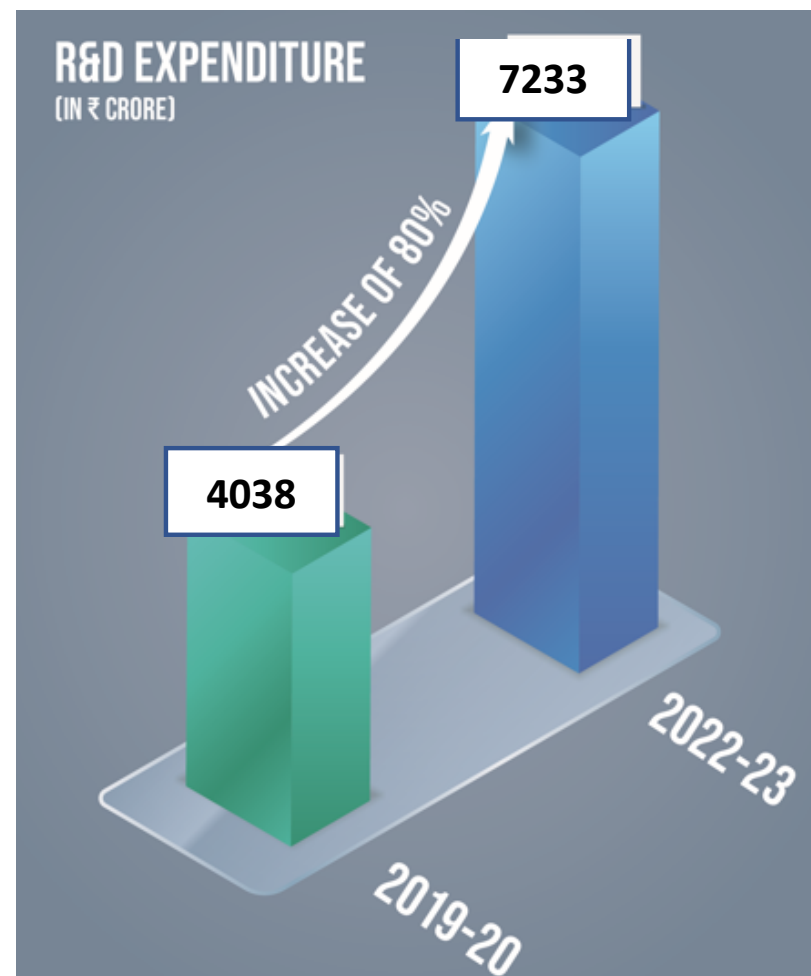


Skilling

In an era characterized by rapid technological advancements and shifting labour markets, skill development is vital for building a resilient workforce that can adapt to the evolving demands of the job market. In this regard, PSEs are taking proactive measures to foster skill development by adopting Industrial Training Institutes (ITIs) and implementing apprenticeship programs. These initiatives provide practical insights into industry practices and equip the youth with specialized skills, thus enhancing their employability.

Way Forward

The Indian Public Sector has supplemented the growth of the Indian economy through transformational changes and hence the invaluable contributions of PSEs are intricately woven into the very fabric of India's progress. Their sustained contribution to the Indian economy can neither be denied nor underestimated. With their prowess, performance and resilience shown during the challenging times of global recession, they have emerged stronger and competitive.



They have not only set new records of profitability, productivity and turnover but also contributed immensely to develop the social fabric of the country.

While achieving excellence in the domestic markets, PSEs have moved beyond boundaries and are representing India globally. They are proving their metal across sectors and featuring amongst the top companies of the world. The significant presence and influence of the PSEs across both conventional and emerging sectors highlight their indispensable role in India's development.

Their contributions in sectors like renewable energy, healthcare, and skill development have not only elevated the nation's economic landscape but have also uplifted communities and individuals, ensuring that no one is left behind. The achievements of the sector have also been recognized by the highest echelons of the Government as the Hon'ble Vice President of India during the SCOPE Awards 2024 called the Public Sector as the 'Pride and Spine of the Indian economy' and the Hon'ble Prime Minister of India while speaking in the Parliament applauded the exemplary performance of the PSEs and also their effort to add to the wealth of the country's investors.

However, the mission is far from complete. As India sets its sights on becoming a Viksit Bharat, the PSEs continue to be a beacon of hope and resilience. The evolving global landscape presents new challenges and opportunities that demand the unwavering commitment and strategic vision of the PSEs. It is thus time for the PSEs to lead by example yet again in promoting sustainable growth, advocating social equity and driving technological advancements as the country propels from being one of the 'Fragile Five' economies to becoming the fifth largest economy, with ambitions of breaking into the top three. As catalysts for change, PSEs possess the power to drive transformative initiatives that not only propel economic advancement but also ensure that the benefits of progress are equitably shared among all citizens, steering the country towards a future rich with limitless opportunities and shared prosperity