

Fewer state-owned companies? 54 more CPSEs set up since FY19

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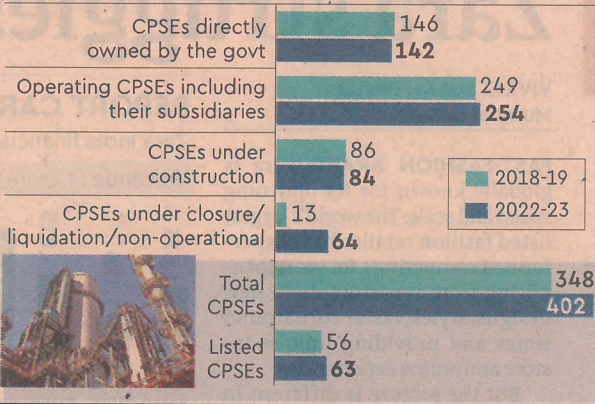
FORGET THE POLITICAL refrain about a policy shift away from state-owned companies, the number of such firms has only risen in recent years, especially during the Modi 2.0 government.

As many as 402 Central Public Sector Enterprises (CPSEs) were in existence in 2022-23, sharply up from 348 in 2018-19, according to official data. The surge was mainly because stronger CPSEs, especially those in sectors like petroleum, power and defence, floated new subsidiaries.

These companies incorporated new firms as they forayed into areas prioritised by the government like renewable energy, indigenous manufacturing of defence gear, electricity transmission, etc. The lower corporate tax rate for “new manufacturing units” also led to setting up of new CPSE arms.

Of course, the process of consolidation of CPSEs is also

CONSOLIDATION OF CPSEs



going on simultaneously, and has gathered pace. The number of operating CPSEs only saw a marginal increase to 254 in FY23 compared with 249 in FY19 as many of the operating (and unprofitable) CPSEs were pushed for closure or liquidation or just became non-operational as their business became unviable. Such companies were just 13 in FY19, but their number rose to 64 in FY23.

However, the number of CPSEs directly owned by the Centre has declined to 142 from 146 during the period as the Centre privatised Air India and some CPSEs. These reflected the new public sector enterprises (PSE) policy unveiled by the Centre to reduce the government presence in non-strategic areas.

In 2021, the Centre unveiled the PSE policy, which

entailed that the government has a minimum presence in the four broad sectors while the remaining ones can be privatised, merged or closed. These sectors are atomic energy, space and defence; transport and telecommunications; power, petroleum, coal and other minerals; banking, insurance and financial services. In the non-strategic sector, all CPSEs will be privatised or closed in case privatisation is impossible.

Later, the government empowered the boards of the CPSEs to privatise, disinvest or close their subsidiaries and sell stakes in joint ventures without Cabinet approval by just intimating to a ministerial panel their decision.

The move was aimed at giving power to their boards to right-size the CPSEs and undertake these transactions on their own, leaving the Department of Investment and Public Asset Management to focus on strategic sales of CPSEs.