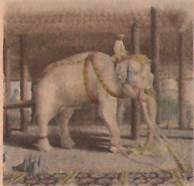


Unplug Dead PSUs P.S. Bureaucratic Zzz

Signal for exit conditions in Indian business

Finmin's Public Enterprises Survey 2024-25 released last December states that of the 475 central public sector enterprises, 75 were on the list for closure, liquidation, or were non-operational. But while 24 CPSEs were approved for closure as of March 2025, only one was 'shut down' by the state government agreeing to take it over. Public policymaking has been fairly consistent about treatment of ailing PSUs: divestment where possible, revival if needed, closure when unviable. The last option requires paying off workers and selling assets of PSUs declared dead. But practice clearly hasn't reflected policy. Drawing up voluntary retirement schemes with worker unions at notional levels requires protracted negotiation. Selling PSU assets, essentially land, takes time because of multiple state agencies and holding conditions involved. Backlog of litigation with vendors must be cleared and pending audit issues resolved. Most importantly, there is bureaucratic inertia. This results in a static list of dead PSUs awaiting a decent burial. It locks up capital that could be deployed to better use, especially in these cash-strapped times.



GoI has made the job easier for bureaucrats by setting out rules for land use—to be converted into affordable housing—and a cut-off date for notional pay in golden handshakes. It's now reportedly asking the ministries and departments involved to get moving. There is a message in this to the wider economy about exit conditions in Indian business. GoI needs to demonstrate its capital is not captured by zombie enterprises.

Exit options have a bearing on foreign investment decisions. A review of the structure of India's bilateral investment treaties (BITs) may not be sufficient to turn the FDI tide. The cooling off period for a foreign investor to exit an Indian venture and provision for local arbitration have been cited as damaging for the investment climate. GoI must move decisively on both its own stuck investments as well as potential pitfalls of investors being made to wait at India's departure lounge.

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