FinMin releases new norms for closure of CPSEs

SHISHIR SINHA

New Delhi, December 13

The government has come out with detailed guidelines for implementing the new Public Sector Enterprises (PSE) Policy for non-strategic sectors by the Department of Public Enterprises (DPE). Accordingly, the department will lay out a path for closure or privatisation of central public sector enterprises (CPSE).

DPE to steer

DPE has been a part of the Finance Ministry since July 6 this year. An order issued in August entrusted it with the responsibility to identify CPSEs for closure or privatisation in non-strategic sectors in consultation with administrative Ministries and Departments and to take in-principle approval from CCEA in respect to such identified CPSEs. It has also been entrusted with the task of setting up a special purpose vehicle (SPV) for asset monetisation once the SPV is approved by the Cabinet.

"It is also required to drive the closure process for CPSEs approved for closure, on the lines of disinvestment process being run by DIPAM (Department of Investment and Public Asset Management)," said an office memorandum issued on Monday.

Exempted CPSEs

The government notified the new PSE policy on February 4. It envisages classification of CPSEs into strategic and non-strategic sectors and exempts certain CPSEs — such as those set up as not-for-profit companies under the Companies Act, 2013, or those supporting

Only a bare minimum presence of CPSEs in the strategic sector is to be maintained

vulnerable and weaker sections of society — from the scope of the Policy.

There are four categories under the strategic sector — atomic energy, space, and defence; transport and telecommunication; power, petroleum, coal, and other minerals; and banking, insurance, and financial services. CPSEs in the strategic sector are to be taken up for privatisation, merger, subsidiarisation with another CPSE or for closure. Only a bare minimum presence of CPSEs in the strategic sector is to be maintained.

Start with approval

Under the new guidelines, the process will start with in-principle decision for closure from CCEA. Then, an IMC (inter ministerial committee) will be constituted by DPE to drive the process. The next phase will begin with preparation of draft closure note for each CPSE by IMC after ascertaining statutory dues, liabilities such as taxes, cess, MAT, dues to secured and unsecured creditors, funds required for VRS/VSS, wages due to employees etc. This entire exercise needs to be completed within 3 months from the day of in-principle approval.

Another two month has been provided for vetting of draft closure note by IMC and forwarding the same for approval of FinMin on a case-to-case basis. The next two months will be used for intimation to the Labour Ministry, request for budgetary support from expenditure department, release of budgetary grants, transfer of assets, VRS /VSS to employees and settlement of wages and statutory dues etc.

7 months time line

The guidelines set a time line of 7 months from the date on which in-principle approval of closure of CPSE has been given by the CCEA for completion of process. Another 45 days has been kept for striking off of the name from the list of Registrar of Companies.