

THE PSU CHAMPIONS AWARDS 2013

CELEBRATING THE SPIRIT OF STATE CAPITALISM

Governance Now honours PSU achievers

Public sector enterprises are often seen as something other than business entities. They are the humble sarkari organisations with their tasks cut out in a welfare economy. But that impression is the legacy of the heydays of socialism. As India liberalised its economy, the PSEs too embraced markets and re-fashioned themselves as business entities. This new brand of public sector, which is already giving western developed economies and their multinationals a run for their money, has come to be called 'state capitalism': A paradox in terms but therein lies the challenge as well as opportunity for our government-run enterprises. Close to a quarter of India's GDP comes from these organisations that are run by people who don't look like business tycoons.

A pity, then, that people at large are yet to appreciate this metamorphosis most PSEs

have undergone. Praful Patel, minister for heavy industries and public enterprises, was referring to this attitude when he said that PSUs were "ghar ki murgi dal barabar" – that is, our failure to see value in the things we already possess. It is against this background that we instituted the Governance Now PSU Awards in association with the Institute for Competitiveness and the India Strategy Group. Praful Patel gave away the awards to the captains of the PSUs at the inaugural ceremony in New Delhi on July 24.

Year after year, when we come back with bigger and better governed PSU Awards, we hope we will be able to set the tone for a revision of our outlook towards the contribution of PSU to our economy and our lives.



Turn the page to celebrate the spirit of state capitalism.

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A symphony for state capitalism

GN Bureau

Backbone of India's economy in the six decades since independence, public sector undertakings (or PSUs) were the shining stars on July 24 as the first Governance Now awards for PSUs celebrated the spirit of state capitalism at New Delhi's Le Meridien hotel.

Giving away the awards, union minister for heavy industries and public enterprises Praful Patel lauded the PSUs for working in hinterlands and remotest of areas. "After independence, the government set up many public sector units and asked them to go to strategic locations, which today, even 65 years on, many people do not fancy to explore and set up businesses across the vast length and breadth of our country. Today I can say that even after so many years (and) decades of private and public private partnership, the public sector alone has actually gone far and to even the remotest corners of the country and has truly contributed to the nation-building," he said.

"I think this is a huge effort and a huge task. If today somebody is still doing business in interior parts of the country, the hinterland, the northeast and remote and inaccessible areas, including places affected by Naxalism and ultra-left wing extremism, it is the public sector."

At the same time, he added a caveat: "Amid challenges of the global economy we can't live in an insulated world. To say what was relevant in the 1950s, 1960s and 1970s is relevant even now in the 21st century (is not correct). It is a changing world, a globalised world, and

a very liberalised world in many senses; and that is where the public sector also has to evolve and be ready for challenges of today – and, more importantly, for tomorrow."

By the time the event wound up, one thing was clear: the state-run enterprises, despite the general image, are no push-overs. Far from it, in fact – they are the new-age fighters, recouping but far from relapsing, licking old wounds to get back in the fray.

Lauding the PSUs, Patel said, "I have been watching many public sectors undertakings very closely from the administrative (point of view) from the department of public enterprises (DPE), and I know for sure that some of our PSUs are fine companies, extraordinary companies and truly global companies. It is reflection of changing mindset and I am sure we are not going to stop here."

He said the DPE is consistently trying to engage with PSUs because "we know that along with you if we don't work, and if we don't facilitate the kind of changes required and the flexibility required" then it would not be possible for the state-run companies to take the competition head-on not only in India but also the rest of the world.

Admitting that the private sector works with "speed (and) timely action" that the public sector even with the "best intentions" fails to follow at times, Patel said it is due to the processes these units have to follow – "not because anybody trying to deliberately put pressure but the fact is that these are the ways and the system that we have built over the years."

But, he added, "I think over a period of time the government has recognised this, is recognising this, and in future will



recognise it even more. The classification of the companies like miniratnas, navratnas and maharatnas is also a step in that direction. As you go higher in terms of operations, turnover and profit, your categorisation goes up, the power of board proportionately goes up and I think these are steps in the right direction. But increasingly there has to be further flexibility and motivation."

Stressing that people heading most of the major infrastructure, engineering or power companies, as also sectors like petroleum or gas, come from the public sectors, the minister said today, though, the younger generation is increasingly craving for private sector jobs. "That deprives the public sector the opportunity to engage fine young people – boys and girls who are fresh out of colleges." He said for these youths the private sector is a greener pasture, adding, "But we have to see that this mismatch doesn't go for long. We must see that we bring PSUs to

PHOTOS: ARUN KUMAR



Praful Patel, minister of heavy industries, delivered the keynote address on 'PSUs: Governance, Competitiveness, Strategy' after giving away the awards.

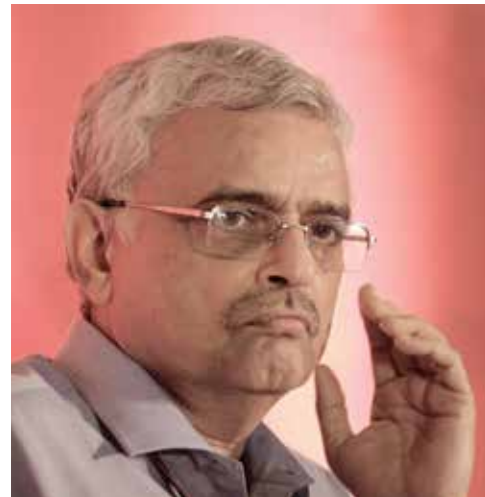
the forefront."

However, he added that just because the government is the stakeholder in these firms does not mean laxity. "You (PSU executives) are as much a businessman, or should be a businessman, as anybody in the private sector."

About the image of PSUs, Patel told the honchos: "We may be undervalued today (but) as things evolve I am sure all your inherent strengths ultimately will come to fore, and PSUs can truly demonstrate that we are no less than anybody else in the world... I think you should be given complete flexibility and freedom to work in a very competitive environment and we, at the DPE, will do everything possible (to be the) facilitator for growth."

Stressing the need for more awards and rewards like this for PSUs, Patel said last year was a landmark because it was the first time the prime minister had a one-on-one meeting with heads of several PSUs. "Usually you read the PM has invited captains of industry (read private sector) to discuss the economy. (But) captains of the public sector are no less, or even bigger, than the so-called captains of private sector," he said.

Lauding Governance Now for initiating the award, Patel said, "I am sure this will not be the first and the last (such award). In fact, this should be the beginning of many more award ceremonies in years to come. I think this magazine will certainly take this initiative forward."



OP Rawat, secretary,
department of public enterprise

State capitalism, as it is known to the economists, is long dead. The obituary of state capitalism was written in the early nineties with the breakup of the Soviet Bloc. But in this world, all organisms have an enormous capacity of mutating, to bring new strength, to bring new ideas, to sustain new life and to deliver new things. And that is what has happened to state capitalism today. Whether in India, China (or) Brazil, the largest companies...belong to public sector undertakings.

Vertical structures supporting lower ends of production enterprises have come up and this combination is challenging the liberal capitalism of the Thatcher and Reagan era because Europe and America (which were) following that almost blindly are the adverse effect of global slowdown, whereas most emerging economies – be it India, China, Brazil or even Russia – have withstood slowdown in different manner. And most of the credit (for this) goes to the public sector – the representative of state capitalism.

However, to remain growing, to remain strong, to remain moving, we have to ensure that we further renovate, further make production of goods and services, matching the needs of emerging market... And here I would like to repeat what the minister already said: the department of public enterprise will stand with you (PSUs) and ensure you are facilitated (and that) nothing comes in your way."



Winners all!

PSU AWARDS 2013

Winners

	Strategic Performance	Human Resources Utilisation	Asset Utilisation	Overall Growth and Competitiveness	Strategic Turnaround
Maharatna	Coal India	GAIL	ONGC	Indian Oil	Coal India
Navratna	Rural Electrification Corporation Ltd	NMDC	Shipping Corporation of India	Power Finance Corporation Ltd	MTNL
Category 1 Miniratna	Housing & Urban Development Corporation Ltd	ONGC Videsh Ltd	BSNL	ONGC Videsh Ltd	Bridge & Roof Co (India) Ltd
Category 2 Miniratna and other CPSEs	HSCC (India) Ltd	FCI Aravali Gypsum & Minerals India Ltd	Rajasthan Electronics & Instruments Ltd	Engineering Projects India Ltd	Central Mine Planning & Design Institute Ltd

1st runners-up

	Strategic Performance	Human Resources Utilisation	Asset Utilisation	Overall Growth and Competitiveness	Strategic Turnaround
Maharatna	Oil & Natural Gas Corporation Ltd	Oil & Natural Gas Corporation Ltd	GAIL (India) Ltd	GAIL (India) Ltd	Oil & Natural Gas Corporation Ltd
Navratna	Power Finance Corporation Ltd	Oil India Ltd	Mahanagar Telephone Nigam Ltd	Hindustan Petroleum Corporation Ltd	Shipping Corporation Of India Ltd
Category 1 Miniratna	Ennore Port Ltd	SJVN Ltd	Engineers India Ltd	Chennai Petroleum Corporation Ltd	National Seeds Corporation Ltd
Category 2 Miniratna and other CPSEs	Engineering Projects (India) Ltd	Rajasthan Electronics & Instruments Ltd	Central Mine Planning & Design Institute Ltd	National Small Industries Corporation	Engineering Projects (India) Ltd

2nd runners-up

	Strategic Performance	Human Resources Utilisation	Asset Utilisation	Overall Growth and Competitiveness	Strategic Turnaround
Maharatna	NTPC Ltd	NTPC Ltd	NTPC Ltd	Coal India Ltd	Bharat Heavy Electricals Ltd
Navratna	Mahanagar Telephone Nigam Ltd	Hindustan Aeronautics Ltd	NMDC Ltd	Bharat Petroleum Corporation Ltd	Bharat Electronics Ltd
Category 1 Miniratna	Bharat Sanchar Nigam Ltd	Container Corporation of India Ltd	Ennore Port Ltd	Numaligarh Refinery Ltd	MSTC Ltd
Category 2 Miniratna and other CPSEs	Mecon Ltd	Central Mine Planning & Design Institute Ltd	FCI Aravali Gypsum & Minerals India Ltd	FCI Aravali Gypsum & Minerals India Ltd	FCI Aravali Gypsum & Minerals India Ltd

Jury awards for lasting impact on Indian economy

SAIL

BHEL

NTPC

Power Grid Corporation

NBCC

How the winners were picked

Strategic Performance:	$\frac{\text{Profit After Tax (L)}}{\text{Total Revenues (L)}}$
Human Resource Utilisation:	$\frac{\text{Value Added (L)}}{\text{Number of Employees (L)}}$
Strategic Turnaround:	$\left[\frac{\left(\frac{\text{Profit After Tax (L)}}{\text{Total Revenues (L)}} - \frac{\text{Profit After Tax (L-4)}}{\text{Total Revenues (L-4)}} \right)}{\frac{\text{Profit After Tax (L-4)}}{\text{Total Revenues (L-4)}}} \right] \times 100$
Asset Utilisation:	$\frac{\text{Value Added (L)}}{\text{Total Assets (L)}}$
Overall Growth and Competitiveness:	$\frac{\text{Total Revenues (L)}}{\text{Number of Employees (L)}}$
Note: Here L denotes latest available year and Value Added is calculated as sales minus expenses.	



Amit Kapoor

Competitiveness is the ability of a firm to use its resources to gain maximum output per unit of input. The important answer to the question of increasing competitiveness of a nation lies in the collective increase in sales and reducing costs from a company's viewpoint. The aim is to drive the greatest wedge between these two critical parameters. The greater the company is able to do that the better is its profitability.

This is easier said than done, however. The competitive ability of public sector undertakings (PSUs) emerges from the overarching themes of governance and strategy, which are critical for their growth in domestic and international markets.

At the level of PSUs, governance is relevant for the corporate setup and the various business units with proper management structures in place, which result in increasing profits and realisations as the organisation matures. The important tool for governance is ensuring transparency within the organisation. Greater transparency leads to better accountability, which benefits the organisation.

Furthermore, strategy deals with doing unique activities in different ways so as to better one's competitor. Strategy is generally thought of as a long-term construct and is thus different from business tactics. It is important for PSUs to pursue strategy, as most companies that operate in competition with PSUs have a strong strategic orientation, which is in line with

overall corporate objectives. Besides, developing a strategy helps tide over a period of turmoil.

PSU Awards: genesis and methodology

This was the inaugural year when Governance Now magazine, along with The Institute For Competitiveness and India Strategy Group, instituted the PSU Awards. The core mission of the awards was to evaluate and, more importantly, celebrate PSUs in a bid to instill in them the spirit of healthy competition that would improve their performance year on year and help them serve society in a better way. The awards celebrate the spirit of state capitalism, which is reflected in the social objectives of the state being fulfilled by efficiencies of corporations. The idea of state capitalism is not new, with countries like Canada and New Zealand having a concept of Crown corporations, which are essentially government-owned entities.

The idea to institute these awards was to recognise the best PSUs across the different dimensions of performance.

The methodology of assessment started with data collection. The data used for assessment was collected from CMIE Prowess Database, which is the largest corporate database in India. While some data of some companies was missing, that specific indicator was left out of assessment for those units. The data for "other CPSEs" category was not validated, and thus they were not assessed.

After collection, the data was analysed to arrive at some conclusions about the relative performance of companies. The analysis was done for the four categories of maharatna companies, navratna companies, category-1 miniratna and category-2, and other CPSEs clubbed into a single category. The analysis was then presented to the jury for assessment and

expert opinion.

The jury process decided to award the winners across various dimensions. Besides the basic awards, five jury awards were also instituted for the purpose of qualitative assessment based on the jury's wisdom and foresight in matters relating to the functioning of PSUs.

The PSUs were assessed along the following core dimensions of growth, strategy and competitiveness:

- ✓ Strategic Performance
- ✓ Human Resource Utilisation
- ✓ Strategic Turnaround
- ✓ Asset Utilisation
- ✓ Overall Growth and Competitiveness

Today more than 80 percent of revenue from the combined revenue pool of PSUs come from the top five sectors: petroleum, trading and marketing, crude oil, power generation, and coal. Most of these sectors are very tightly protected by government policy and the way forward is efficiency brought about by either more competition or by corporations bettering their own processes through sophisticated demand on the consumer side.

Several government sector companies today perform well on the parameters used for evaluation and assessment of the PSU sector in India. Several maharatna and navratna companies are indeed very productive and do well on strategic performance parameters. It will be heartening to see how they perform once more competition sets in and entry barriers are reduced. The companies studied here can use the findings to improve their performance so that they become the driving force behind India's growth and development. ■

Kapoor is honorary chairman, The Institute For Competitiveness. Sankalp Sharma also contributed to this article.

The honours roll-call: memorable moments



AK Banerjee, director (finance), ONGC, receives the winner's trophy for asset utilisation (Maharatna) from union heavy industries minister Praful Patel.



VK Tiwari, general manager, Coal India, receiving the winner's trophy for strategic performance (Maharatna).



PJ Thakkar, director (technical), Rural Electrification Corporation Limited, receiving the the winner's trophy for strategic performance (Navratna).



SPS Bakshi, CMD, Engineering Projects India Ltd, receives the winner's trophy for overall growth and competitiveness (Category 2 Miniratna)



Gyanesh Pandey, CMD, HSCC, receives the winner's trophy for strategic performance (Category 2 Miniratna)



Amit Ray, executive director, GAIL (India) Ltd, receives the winner's trophy for human resource utilisation (Maharatna)

The top brass of the PSU fraternity felicitated at glittering ceremony

PHOTOS: ARUN KUMAR



NK Bharali, director (HR and business development), Oil India Ltd, receives the runner-up trophy for human resource utilisation (Navratna)



CS Verma, CMD, SAIL, receives the jury award from Praful Patel. NMDC Ltd, also headed by Verma, won the human resource utilisation award (Navratna).



DK Saraf, MD, ONGC Videsh Ltd, receives the winner's trophy human resource utilisation and overall growth and competitiveness (Category 1 Miniratna).



KL Vashishta, DGM (HR), SJVN Ltd, receives the runner-up award for human resource utilisation (Category 2 Miniratna).



AK Jain, MD, Rajasthan Electronics & Instruments Ltd, receives the winner's trophy for asset utilisation (Category 1 Miniratna).



CS Verma, CMD, SAIL
PSUs play an important role in the Indian economy. GN awards are a recognition of the PSU executives' efforts.



R K Upadhyay, CMD, BSNL
Everybody is aware of the adverse circumstances all PSUs are performing in. In today's competitive world, one's due has to be earned. All PSUs are working really hard not only to survive but also to excel in this open global economy and most of the PSUs are performing well.



AK Garg, CMD, MTNL
When PSUs were created, the focus was on social benefit as much as on industrial growth. Now, PSUs operate in a competitive environment. So, this is a transition for PSUs. I feel in the time to come, PSUs will also work like the private sector. The due that has to come from the government shall also come with time.



SPS Bakshi, CMD, Engineering Projects Ltd
The government is giving us a lot of support in terms of autonomy. The ministry of heavy industries offers all the help it can to resolve PSUs' problems.



Vijay Rangan, ED (corporate planning), ONGC
As the minister (Praful Patel) pointed out, a third of the market is with the PSUs. We are no less compared to anyone in this country or outside. In fact, we are a notch higher with a work culture that people appreciate.



Atul Saraya, director (power), BHEL

PSUs are getting their due now when the things are improving.



MM Sharma, director (finance), National Seeds Corporation

I don't think PSUs are getting their due. Because of competitiveness, there are certain constraints for PSUs. Government policies should enable PSUs to work on par with the private sector.



Amit Ray, executive director (HR), GAIL

PSUs have been getting their due. We are valued at only a third of the market value. Of late there have been various schemes and upgradation of PSUs in the Ratna categories. The boards have also been given more powers to run their businesses efficiently. We are very satisfied with the powers given to GAIL.



SK Ghosh, executive director (operations), Indian Oil Corporation

PSUs are getting recognition but more of it is needed.



SK Jha, ONGC

PSUs are doing a wonderful job. We believe in work practices and work ethics, the due just follows. We are satisfied with whatever we are getting.



AK Garg, CMD, Mahanagar Telephone Nigam Ltd, receives the winner's trophy for strategic turnaround (Navratna). The company was also the runner-up in the asset utilisation category.



Captain BB Sinha, director (personnel and administration), Shipping Corporation of India Ltd, receives the winner's trophy for asset utilisation (Navratna). The company also was the runner-up for strategic turnaround.



AK Purwaha, CMD, Engineers India Ltd, receives the runner-up trophy for asset utilisation (Category 1 Miniratna).



RK Upadhyay, CMD, Bharat Sanchar Nigam Ltd, receives the winner's trophy for asset utilisation (Category 1 Miniratna).



SK Ghosh, executive director (operations), Indian Oil Corporation Ltd, receives the winner's trophy for overall growth and competitiveness (Maharatna).



KV Rao, director (finance), Hindustan Petroleum Corporation Ltd, receives the runner-up trophy for overall growth and competitiveness (Navratna).



V Srinivasan, GM (corporate planning), Chennai Petroleum Corporation Ltd, receives the runner-up trophy overall growth and competitiveness (Category 1 Miniratna).



MM Sharma, director (finance), National Seeds Corporation Ltd, receives the runner-up trophy for strategic turnaround (Category 1 Miniratna).

SP Garg, director (finance), ONGC Videsh

I think PSUs are responsible for getting their due. You have to grab your due with your efforts; that's what we are trying to do.



AK Jain, managing director, Rajasthan Electronics and Instruments Limited

PSUs are getting their due to some extent. In the last 3-4 years, I have seen PSUs getting recognition. Even the public is seeing that PSUs are doing really well.



RN Nayak, CMD, Power Grid Corporation of India Ltd, receives the jury award.



Atul Saraya, director, Bharat Heavy Electricals Ltd, receives the jury award from Praful Patel.

V Srinivasan, general manager (corporate planning), Chennai Petroleum Corporation

Hopefully they do get their dues. This is one event where the minister said that PSUs really deserve this set of excellence awards. This is an encouragement for us.



Captain BB Sinha, director (personnel administration), Shipping Corporation of India

PSUs are getting their long-delayed due now. It's high time their contribution to the Indian economy and growth is recognised.



Manash Sarkar, executive director, National Thermal Power Corporation of India, receives the jury award from Praful Patel.



Rakesh Marya, executive director, National Buildings and Construction Corporation Ltd, receives the jury award.

NK Bharali, director (human resource and business development), Oil India Ltd

PSUs do get their due when they do well. The government has been very supportive of the PSUs. There are constraints where we need more support, but there are also areas where the government has gone out of its way to support PSUs.

