

Methodology

PSUs: Institution Builders and Incubators - Still the Nation's Bulwark!

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In the recent months Air India continued its track record of continuously turning round the corner. The airline more than doubled its profit close to ₹300 crore in FY 17. Most importantly the airline has stepped in to cover several routes that were disbanded by private airlines like Mumbai-Bhavnagar. Air India symbolizes the institutional and mentorship role that a PSU typically carries in its DNA. Metaphorically the Air India story represents not just the turnaround story but the story of larger national objectives while still trying to obtain a space for itself to compete with the private sector. Most PSUs are strong arms and implements of the central government, helping it implement and improve its national vision as well.

Leaders in incubating knowledge and infrastructure asset creation

The scoring based on Moody's framework offers rich insights on how several PSUs were still at the vanguard of creating core sector specific expertise, in fact knowledge leaders. As knowledge leaders they were the best strategic performers. For example, in the business consultancy sector, which epitomizes sectoral expertise, of the 11 nominees, about half of them, 6, scored above a 100 normalized score (an above average performance). These included Wapcos Ltd., REC Transmission

Projects Co. Ltd., and Central Mine Planning and Design Institute, besides others.

Overall as far as Logistics and Transportation Infrastructure is concerned the PSUs emerge as leaders in productivity, meaning that contrary to a notion that PSUs may not be the most productive enterprises, at least as far as creating public assets is concerned, they are a value for money investment for the Indian taxpayer. The PSUs that scored well in Employee Productivity include those involved in infrastructure construction, logistics as well as transportation. Most of these PSUs scored above PSU peers (a normalized score of above 100). These companies included National Highway and Infrastructure Development Corporation of India Ltd., various Shipyards and the Container Corporation of India.

Even on our normalised score for Consistent Growth and Adaptation, it was companies involved in Core Infrastructure Assets creation which led the pack, with a score of above 100. These companies included Millenium Telecom, REC Power Corporation, RailTel, and again NHIDCL.

Innovating on our Methodology

At the Governance Now PSU Awards, we built a holistic approach towards assessing the PSUs not just financially, but from their approach towards national goals as well. Importantly we used a broad framework set up by Moody's to assess the financial health,



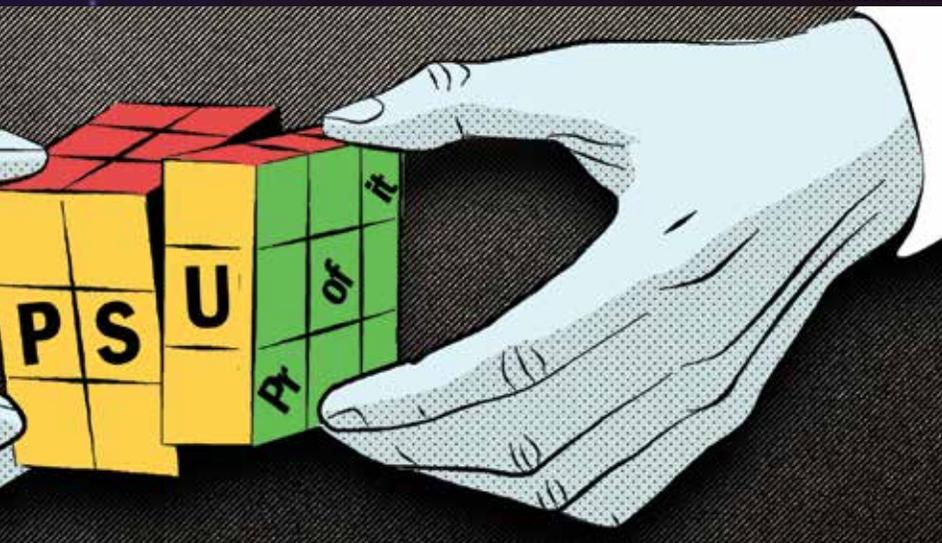
and a vastly evolved questionnaire to assess the intangible institution and nation building role of the PSUs.

Innovations were carried out in the Financial Metrics as well as non Financial Metrics to bring out aspects of a PSU's journey that is not often necessarily assessed for private sector companies.

A turnaround score was added to the portfolio of Governance Now PSU Awards to acknowledge the efforts of PSUs leading their path from losses to profits. We measured a key index for these companies, which we computed as 'PBDITA net of P&E as a percentage of total income net of P&E' for FY 16. The same was compared to the metric value for this financial, which is FY 17. While it does not necessarily mean that the company became a profit making company, but the metric clearly indicated the tendency to cut losses, and turn the corner.

For a number of nominee companies, these metrics came out very strongly defining the intensity of their turnaround. In the case of companies like SAIL, the score improved from a large negative of -6.27 to a very relatively lower negative score of -0.47. This is a rare feat, and more so for a PSU. The other company to significantly turn around there was the KIOCL (Kudremukh Iron Ore Company Limited), which reduced the negative

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score from -68.61 to -23.95. In fact two miniratna companies that stood out in terms of their turnaround indices - they moved from negative to positive. These companies were National Research Development Corporation, and Cotton Corporation of India Ltd.

Since 2014, there have been several initiatives of the central government that can vastly rework the Human Development Indices of this nation. They include initiatives such as Swachh Bharat, Digital India, and Make in India. The response to our qualitative questionnaires revealed that the PSUs have taken up these initiatives as important initiatives that rewire the nation and with tremendous zeal.

PSUs: Incubators to rewire the nation

The qualitative part of our questionnaire focussed on ascertaining the steps taken by PSUs to align themselves to the government's goals such as the Digital India Initiative, Swachh Bharat Abhiyan, Pradhan Mantri Kaushal Vikas Yojana, and the Make in India Initiative. The questionnaire focussed on seeking not just qualitative information from the companies around what they had pursued but also on requesting information on policy initiatives, and quantified or visual evidence about whatever they had done. This is a yeoman service by the PSUs as very

rarely companies in the private sector would pursue what is not in immediate profit for them.

With the prime minister's thrust on green initiatives several PSUs had focussed on solar power generation. What was interesting to see is the birth of new PSUs with the specific focus on the government's pet themes like generating renewable energy. Importantly some of these younger ones participated in the PSU awards as well, indicating a verve often seen only in private sector entities.

While larger PSUs tend to hog the limelight, there are several smaller PSUs or lesser known ones, who have taken several initiatives, which make them incubators of the nation-defining initiatives launched by the government. The qualitative nominations filed by several PSUs clearly indicated the pivotal role of these PSUs and are worthy of mention.

The Railway Energy Management Company Limited was one of them. Being founded as late as August 2013, the company had to its credit several energy greening and renewable energy initiatives for the Indian Railways. Its investments are likely to generate a saving of several thousand crores in the Energy Bill of the Railways in the years to come.

Similarly Garden Reach Ship Builders, a warship building company,

has invested heavily in indigenization. A strong correlation was found between development of technical excellence, R&D investments and the overall attrition levels of a PSU. Garden Reach Ship Builders stood out as an example of this, with far lower levels of attrition as compared to other PSUs. What stood out clearly was the role of Garden Reach in indigenizing defence production in India – especially the fact that MSEs and startups were given a 15% interest free mobilization advance against a bank guarantee from a nationalized bank.

Joining the IoT (Internet of Things) revolution – Automation and cutting edge technology investments

Bharat Electronics Limited stood out uniquely with the development of an Air Traffic Management System. However, the most interesting aspect was too see PSUs touch upon areas that are still jargon in the lexicon of several private sector players – the IoT (Internet of Things). PowerGrid Corporation of India (Limited) has proposed a technological automation of the substation, which refers to using data from intelligent electronic devices, control and automation capabilities within the substation, and control commands from remote users to control power system devices. This is very much an IoT (Internet of Things) solution, and these are things even the private sector would envy.

Clearly the PSUs not just excel in knowledge creation and creation of hard infrastructure. They also excel in leading into initiatives like renewable energy, which would be deemed as low payback items by the private sector or technological advances such as the Internet of Things, which the private sector would envy. And all this while fulfilling their social and often societal obligations. It's a great balancing act, while many seem to falter, but most don't tire out. They still lead as the incubators to rewire this nation, and that is their true strength.

Mrug is the founder of M76 Analytics, which provided evaluation for the Fifth Governance Now PSU Awards.

PSU Awards Winners





1. Atul Sobti, CMD, BHEL | 2. PK Singh, Chairman, SAIL | 3. Rear Admiral VK Saxena (retd), CMD, Garden Reach Shipbuilders & Engineers Ltd | 4. Ravneet Kaur, CMD, India Tourism Development Corporation Ltd | 5. MP Mall, CMD, IRCTC | 6. MV Subba Rao, CMD, KIOCL Ltd | 7. Narendra Kumar Verma, MD, ONGC Videsh Ltd | 8. Dr BP Sharma, CMD, Pawan Hans Ltd | 9. Rajeev Mehrotra, CMD, RITES Ltd | 10. SK Pattanayak, MD, Indian Railways Finance Corporation | 11. Dr H Purushotham, CMD, National Research Development Corporation | 12. AK Jain, Managing Director, REIL | 13. AK Dwivedi, Director (Exploration), ONGC Ltd | 14. Yogesh Kumar Misra, Chief General Manager, IRCON International Ltd | 15. Satish Kumar Bhargava, Director (Finance), Indian Renewable Energy Development Agency Ltd | 16. RK Chandiok, Director (F), National Fertilizers Ltd | 17. MM Joshi, Executive Director, Bharat Electronics Ltd | 18. Sanjay Jindal, Executive Director (Finance), Engineers India Ltd | 19. KP Gupta, Executive Director, NTPC Ltd | 20. Chetan Verma, Executive Director, Power Grid Corporation of India Ltd | 21. Avinash Kumar, Executive Director (HR), NHPC Ltd | 22. H C Sathyanarayana, Chief General Manager, Mangalore Refinery & Petrochemicals Ltd | 23. Somnath Acharya, Chief General Manager, NMDC Ltd | 24. Rajeev Goel, General Manager (PR & CC), Hindustan Petroleum Corporation Ltd | 25. Taruna Gupta, General Manager (F & A), Rural Electrification Corporation Ltd | 26. Rakesh Kumar, General Manager, India Infrastructure Finance Company Ltd | 27. Cmde (Dr) Jawahar M Jangir, General Manager (Indigenisation), Mazagon Dock Shipbuilders Ltd | 28. Sant Pratap Singh, Railtel Enterprise Ltd



WINNERS TAKE ALL

CATEGORY 1: FINANCIAL CATEGORIES

STRATEGIC PERFORMANCE

MAHARATNA: Bharat Heavy Electricals Limited
NAVRATNA: Rural Electrification Corporation Limited

MINIRATNA I: ONGC Videsh Limited
MINIRATNA II & OTHERS: India Infrastructure Finance Company Limited

EMPLOYEE PRODUCTIVITY

MAHARATNA: Coal India Limited
NAVRATNA: NMDC Limited
MINIRATNA I: Mangalore Refinery & Petrochemicals Limited
MINIRATNA II & OTHERS: Indian Railway Finance Corporation Limited

BEST PERFORMANCE (FINANCIAL)

MAHARATNA: NTPC Ltd
NAVRATNA: NLC India Limited
MINIRATNA I: Indian Railway Catering & Tourism Corporation Limited
Indian Renewable Energy Development Agency Limited
MINIRATNA II & OTHERS: Indian Railway Finance Corporation Limited

CONSISTENT GROWTH

NAVRATNA: Engineers India Limited

MINIRATNA I: IRCON International Limited
NHPC Limited

MINIRATNA II & OTHERS: Railtel Enterprises Limited

TURNAROUND

MAHARATNA: Steel Authority of India Limited
MINIRATNA I: KIOCL Limited
MINIRATNA II & OTHERS: National Research Development Corporation

CATEGORY 2: NON-FINANCIAL CATEGORIES

ENVIRONMENTAL SUSTAINABILITY

MAHARATNA: Oil & Natural Gas Corporation Limited

NAVRATNA: Bharat Electronics Limited
MINIRATNA I: India Tourism Development Corporation Limited

ADOPTION OF TECHNOLOGICAL INNOVATIONS

MAHARATNA: Bharat Heavy Electricals Limited
NAVRATNA: Bharat Electronics Limited
MINIRATNA I: Garden Reach Shipbuilders & Engineers Limited
MINIRATNA II & OTHERS: Rajasthan Electronics & Instruments Limited

BUSINESS DIVERSIFICATION

NAVRATNA: Bharat Electronics Limited
MINIRATNA I: RITES Limited
MINIRATNA II & OTHERS: Rajasthan Electronics & Instruments Limited

HR EXCELLENCE

MAHARATNA: Bharat Heavy Electricals Limited
NAVRATNA: Bharat Electronics Limited
MINIRATNA I: Garden Reach Shipbuilders & Engineers Limited

RESEARCH & DEVELOPMENT

MAHARATNA: Oil & Natural Gas Corporation Limited
NAVRATNA: Bharat Electronics Limited
MINIRATNA II & OTHERS: National Research Development Corporation

OUTREACH

NAVRATNA: Hindustan Petroleum Corporation Limited
MINIRATNA I: Pawan Hans Limited

NATION BUILDING

NAVRATNA: Power Grid Corporation of India Limited
MINIRATNA I: Garden Reach Shipbuilders & Engineers Limited
MINIRATNA I: National Fertilizers Ltd. (Pivotal Role in Nation Building)
MINIRATNA I: Mazagon Dock Shipbuilders Limited (Pivotal Role in Make in India)