



Cabinet



 Azadi Ka  
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# Cabinet empowers the Board of Directors of the Holding / Parent Public Sector Enterprises to recommend and undertake the process for Disinvestment / closure of their subsidiaries / units / stake in JVs and additional delegation of powers to Alternative Mechanism



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The Union Cabinet, chaired by Prime Minister Shri Narendra Modi, has approved the proposal for empowering the Board of Directors of the Holding / Parent Public Sector Enterprises to recommend and undertake the process for Disinvestment (both strategic disinvestment and minority stake sale) or closure of any of their subsidiaries / units / stake in JVs. The Cabinet has also empowered Alternative Mechanism to accord 'in principle' approval for disinvestment (both strategic disinvestment and minority take sale) / closure of subsidiaries / units / sale of stakes in JVs of Holding / Parent PSEs [except the disinvestment (minority stake sale) of Maharatna PSEs which was delegated to them and review the process of disinvestment / closure by Parent / Holding PSEs.

The process for undertaking the strategic disinvestment transactions / closures to be followed by the PSEs should be open, based on the principles of competitive bidding and consistent with the guiding principles to be laid down. For strategic disinvestment, such guiding principles will be laid down by DIPAM. For closure, DPE shall issue guiding principles.

Presently, the Board of Directors of Holding / Parent PSEs have been delegated certain powers under the Maharatna, Navratna and Miniratna categories to make equity investment to establish financial joint ventures and wholly-owned subsidiaries and undertake mergers / acquisitions subject to certain ceilings of net-worth. However, the Boards do not have powers for disinvestment / closure of their subsidiaries / units/ stake in JVs, except some limited powers given to Maharatna PSEs for minority stake disinvestment of shareholding in their subsidiaries. Therefore, approval of the Cabinet / CCEA was needed by Holding / Parent CPSEs, for disinvestment (both strategic disinvestment and minority stake sale) / closure of their subsidiaries / units or sale of their stakes in a JV, irrespective of the size of operations / capital deployed of such subsidiaries, etc. In line with the spirit of the new PSE policy, 2021 to minimize presence of Government PSEs and for functional requirement, further delegation in this matter have been provided through this decision.

The proposal intends to reform the functioning of PSEs, by allowing greater autonomy to the Board of Directors of the Holding PSEs for taking decisions and recommend for timely existing from their investment in Subsidiaries / units or JVs, which will enable them to optimize their investment



such subsidiaries/units/JVs at an opportune time or close their loss-making and inefficient subsidiary/unit/JV at right time. This will result in expeditious decision making and saving of wasteful operational/financial expenditure by the PSEs.



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