

## **CPSEs on a Path to Achieve Greater Competitiveness**

Prime Minister's Vision 2022 for India exhorted PSEs to help in making of "New India" through changes in technology and processes and adopt a 5-P formula – Performance, Process, Persona, Procurement and Prepare. Five challenges he points out for the PSEs to address with Vision 2022 are to:

- (i) maximize their geo-strategic reach,
- (ii) minimize the country's import bill,
- (iii) integrate innovation and research,
- (iv) optimally utilize their CSR Fund,
- (v) create new development model for Indian PSUs.

Spearheading the facilitation towards these objectives, the CII PSE Council has initiated work on the 5 steps through information sharing among CPSEs and Government Departments and developing a comprehensive strategy to address the challenges and march towards the Vision 2022.

One of the significant challenges of Indian public sector enterprises today is to increase their competitiveness to deal with market forces. CII has released two reports, namely, 'The Rise of the Elephant: Enhancing Competitiveness of CPSEs' and 'Can the Indian PSEs Enhance Their Geo-Strategic Reach'. The report has come up with a roadmap on how the public sector enterprises can maximize their geo strategic reach, expand exports and increase competitiveness.

### **The Rise of the Elephant: Enhancing Competitiveness of CPSEs**

The Report identifies specific actions to boost the competitiveness of public sector enterprises and has developed a Competitiveness Model, comprising six key elements to enable CPSEs to compete successfully in the global marketplace. The elements at the core of the Competitiveness Model are, clarity on the roadmap for CPSEs and the objectives, clear role demarcation, operational independence and instituting an independent and empowered board, ensuring a level playing field between CPSEs and private players, and becoming future ready.

#### **Competitiveness Model for CPSEs**



Despite popular discourse, select CPSEs are required to further national strategic interest. This is in line with the global practise, where even developed economies operate a few state-owned enterprises. It is imperative that India enhance the competitiveness of its CPSEs by actioning the recommendations inherent in CII's Competitiveness Model.

### **Can the Indian PSEs Enhance Their Geo-Strategic Reach?**

PSEs play a key role in promoting trade and ensuring the geo-strategic interests of several countries including India, China, Indonesia, Brazil and Singapore. In the post-liberalisation period, PSEs have been facing stiff competition from the private sector and some of them are incurring huge losses. A number of PSEs have gone through disinvestments and many more are in the process of being disinvested. The foreign exchange earnings from exports of PSEs have shown a fluctuating trend – it declined from Rs. 1,39,228 crores in 2012-13 to Rs. 77,216 crores in 2015-16. It then increased to Rs. 87,768 crores in 2016-17 and then declined to Rs 86,980 crores in 2017-18.

CII Research has brought out a report 'Can the Indian PSEs enhance their Geo-strategic reach', which presents a roadmap to expand exports and geo-strategic reach of PSEs by 2022. It recommends that PSEs bid for international projects as a consortium, leveraging each other's mutual competence, experiences and strengths. They should also leverage regional and bilateral trade agreements in sectors where they have a comparative advantage.

The report points out several domestic and external barriers, which are inhibiting the PSEs' ability to enhance exports. Lack of autonomy, multiple procedures, management gaps, and so on lead to loss of potential business opportunities.

Most PSEs have been exporting and/or have an international presence. According to the CII report, they now have presence in over 80 countries across diverse regions with majority concentrated in the South Asian region. A number of them are moving away from their traditional markets to new markets, such as Africa and Cambodia, Laos, Myanmar and Vietnam (CLMV).

The CII report underscores that India's Public Sector Enterprises can enhance their geo-strategic reach by 2022 with the actioning of the 15-point recommendations for the PSEs, government and industry associations.

#### **15-point Recommendations to Maximize Geo-strategic Reach of PSEs**

1. Create a short-term (5 years) and long-term (10 years) roadmap for the PSEs, clearly laying down exports and growth targets
2. Set up a High-Level Export Strategy Committee to help the government to implement the five-point agenda set out by the Prime Minister for enhancing the competitiveness of the PSEs by 2022
3. Participate pro-actively in international events and market development initiatives

4. Bid for international projects as a consortium, leveraging on each other's mutual competence, experiences and strengths.
5. Focus on exports:
  - a) Identify new markets and exploring opportunities in existing markets. Among the new markets, the focus could be on Africa, CLMV and Commonwealth of Independent States (CIS), where there is huge untapped potential
  - b) Work closely with industry associations and government to build 'Indian PSE' brand in export markets
  - c) Work with government to design "WTO Smart Subsidies"
  - d) Contribute actively to Foreign Trade Policy
6. Partner with innovative Indian start-ups and high technology companies in the private sector to offer more goods and innovative solutions in export markets
7. Have dedicated international desks of at least 4-5 members, which can help in providing in-depth knowledge of potential foreign markets and can help to participate in international competitive bidding processes
8. Focus on competitive bidding for acquiring international projects and identify support that is needed for competitive bidding
9. Contribute to data-driven, evidence-based policymaking:
10. Leverage regional and bilateral trade agreements in sectors where Indian PSEs have a comparative advantage
11. Government, industry bodies and PSEs should work together in identifying and implementing global best practices for improving their productivity, efficiency and competitiveness
12. Be a part of Industry 4.0 - Invest in research and adopt advanced technology
13. Address manpower shortages:
14. Work with the Government to understand the core political and strategic goals. Any policy to promote exports should also look at the resource endowment and manufacturing capabilities of the PSEs and how they can be used to support India's interest.
15. Long-term political strategy and planning is needed for the success of the PSEs as they often invest in strategic and long-term projects abroad. Each nodal ministry should have an international desk.

## **Achieving Greater Competitiveness**

CII's apex Council on Public Sector Enterprises provides a platform for all heads of the CPSEs to decide on issues of common interest and works towards the benefit and

growth of the PSEs. One of the core objectives of this council this year has been to focus on the PSEs export performance, improving their competitiveness and enhancing their geo-strategic reach.

To provide a larger platform on achieving greater competitiveness for the PSEs, the PSE Summit was also organised on 18 November 2019 in ITC Maurya, New Delhi.

The summit presented a crucial step in the direction of realizing PM's Vision 2022 in making a New India through integrating and innovating technology and increasing geo strategic reach, minimizing the country's import bill and creating a new development model for Indian PSEs. The summit was presented in association with Department of Public Enterprises and National Foundation for Corporate Governance. Shri Sailesh, Secretary, Department of Public Enterprise, Shri R K Chaudhary, Additional Secretary, DPE, Temasek India Head, Ravi Lambah and CMDs of many leading CPSEs were part of the PSE summit.

Speaking at the occasion, Shri Sailesh, Secretary, Department of Public Enterprise, said: "Increasing competitiveness is the cornerstone of better performance. Capitalising on new market opportunities, making technology advancements, maximizing geostrategic reach and expanding exports are important aspects that PSEs need to vigorously pursue and the Government is working actively to help the PSEs to be globally competitive".

Adding further, the Secretary said, CII's 10 Centres of Excellence ranging from leadership, logistics, energy, green building, water can really help PSEs become competitive and increase their profits substantially.

Shri R K Chaudhary, Additional Secretary, Department of Public Enterprise, said "PSEs need to be competitive at home against the global competitors and become multinationals themselves. Our trade deficit is \$49 billion and majority is in oil and gas. China has a huge presence in Mauritius, Africa and South East Asian countries. The Indian public sectors are major players in both oil and gas and should look for alternative geo strategic expansion plans".

Mr Ravi Lambah, Head, India & Head, Telecom, Media & Technology, Temasek presented the Singapore model and said Temasek Holdings does not interfere in day to day operations of the PSEs. The Singapore model provides reference points for Indian PSEs. Temasek has been looking at investing in companies in India that generate long-term value."

Prime Minister Narendra Modi has given the call for building a New India by 2022 in which the public sector will be a major partner along with the private companies in fulfilling the PM's vision. India's march towards making a US\$5 trillion economy by 2024-25 has begun and the PSEs have a major role in achieving this target set by PM by enhancing their global competitiveness. The implementation of the Summit decisions by the PSEs will be of big help in making the PSEs Future Ready for historic task of transforming Indian economy.

## Quotes:

### **Shri Sailesh, Secretary, Department of Public Enterprise**

“The performance of CPSEs has been stellar and their outreach is big. Their value, even by small margin globally, contributes majorly to the country’s GDP.”

### **Shri R K Chaudhry, Additional Secretary, Department of Public Enterprise**

“I am a firm believer in PSEs and these entities not only drive flagship programmes of the Government but also employ 1 million people while contributing Rs 3.85 lakh crore to the central exchequer. The Government, while extending geo strategic alliances, put PSEs as the forerunners. In fact, the Government has been generating goodwill in countries such as Nepal, Bhutan and Bangladesh through the public sector”.

### **Mr Ravi Lambah, Head, India & Head, Telecom, Media & Technology, Temasek**

“We have been present in India for the last 15 years and looking at increasing our investment pace in India.

### **Shri A K Chaudhary, CMD, SAIL**

“As the Government plans further rounds of reforms, the competition from PSEs from domestic, private and foreign companies will only increase further in coming times. PSEs are fully geared up to face the challenges. However, for the PSEs the aim is not to survive but to grow and enhance geo strategically”.

### **Dr Nalin Shinghal, CMD, BHEL**

“CPSEs need to scale up their R&D infrastructure. Innovation and research need to be integrated and there is the need for greater information sharing among CPSEs and Government.”

## Photos / Caption: (also attached)



Mr Sailesh, Secretary, Department of Public Enterprises



Shri R K Chaudhry, Additional Secretary, Department of Public Enterprise



Mr A K Chaudhary, Chairman and Managing Director, SAIL



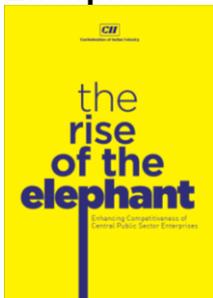
Mr Ravi Lambah,, Head, India, Head, Telecommunications, Media and Technology, Temasek International



Dr Nalin Shinghal, Chairman & managing Director, BHEL

## CII Report Release

### “The Rise of the Elephant: Enhancing Competitiveness of Central Public Sector Enterprises”



### “Can the Indian PSEs Enhance Their Geo-Strategic Reach?”





Inaugural Session of CII PSE Summit: Public Sector Enterprises: Achieving Greater Competitiveness, 18<sup>th</sup> November 2019 at New Delhi: (L-R) Ms Amita Sarkar, Deputy Director General, CII ; Mr S Raghupathy, Deputy Director General, CII ; Mr A K Chaudhary, Chairman and Managing Director, SAIL; Mr Sailesh, Secretary, Department of Public Enterprises; Mr P K Gupta, Chairman and Managing Director, NBCC ; Ms Bidisha Ganguly , Chief Economist, CII

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