MOVE IN LINE WITH 2021 POLICY

Nine ailing CPSEs headed for closure

- Cabinet note with the PMO

PRASANTA SAHU
New Delhi, January 27

THE CENTRE IS considering the closure of nine ailing central public sector enterprises (CPSEs), including National Textiles Corporation (NTC) along with its 5 subsidiaries, State Trading Corporation of India (STC), PEC and British India Corporation (BIC). A draft Cabinet note on this matter is being discussed within the government, sources said, adding that it is currently under the consideration of the Prime Minister's Office (PMO).

In 2021, the Centre unveiled the PSE policy, which entailed that the government maintains a minimum presence in the four broad strategic sectors identified while the remaining ones can be privatised, merged or closed.

Due to obsolete technology, unavailability of working capital and other financial constraints, operations in most of the NTC mill units have been under suspension for several years. To protect the interest and welfare of employees, they are being paid wages and statutory dues as per mutual agreement between the management and representing workers of the mill.

STATE OF THE MATTER

176 CPSEs were identified by the government in the non-strategic sector

Over 60% of these will be closed while the rest of the viable units will be privatised

NTC: ₹344-cr loss in FY21

PEC: ₹340-cr loss in FY24

STC: Accumulated losses at ₹1,083 cr

Nine ailing CPSEs headed for closure

In FY21, the latest year for which financials were available, the company reported a net loss of ₹344 crore.

During FY24, trading firm STC did not undertake any business activities. The company reported a net profit of ₹52.21 crore, thanks to rental income. However, it has a negative net worth of ₹955 crore and accumulated losses of ₹1,083 crore. Furthermore, the accounts of the company remain classified as NPA.

Another trading firm, PEC, has also not carried out any business activity since September 2019. It reported a net loss of ₹340 crore in FY24, largely attributed to the interest payable to lender banks.

Textile firm BIC operates two woollen mills – Cawnpore Woollen Mills (Lalimli) in Kanpur and New Egerton Woollen Mills in Dhariwal, Punjab. Due to the firm's poor finances, the staff of these mills were being paid from the Budget in recent years.

The ailing firms are a drag on the exchequer as the Centre has to pay salary and other liabilities even if they have not carried out any business for years. As per the PSE policy, in the non-strategic sector, all CPSEs will be privatised or closed in case privatisation is impossible.

The department of public enterprises and Niti Aayog had identified 176 CPSEs in the non-strategic sector, over 60% of these will be closed while the rest of the viable units will be privatised. And a handful of Section 8 companies (under the Companies Act which is not-for-profit) will be retained in the public sector.

However, the lack of internalisation of the PSE policy by the ministries and half-hearted support from other stakeholders mean privatisation and closure have been very few and far between, the sources said. Despite several inter-ministerial consultations, CPSEs in several ministries are yet to undertake an annual audit of accounts. Similarly, the National Land Monetisation Corporation (NLMC), which was to take up non-core assets like the land of CPSEs, is yet to have a fully functional set-up with a full-time CEO even after a year of Cabinet approval.