

F.No.3/21/2016-DIPAM-II-B(E)  
Government of India  
Ministry of Finance  
Department of Investment and Public Asset Management Disinvestment

Block No. 14, CGO Complex,  
Lodhi Road, New Delhi-110003.  
19<sup>th</sup> April, 2022

**OFFICE MEMORANDUM**

**Sub: Participation of Public Sector Enterprises (PSEs) [Central/State/ Joint] / State Governments/Cooperative Societies controlled by the Governments in strategic disinvestment of other CPSEs.**

The undersigned is directed to state that the issue of participation of Public Sector Enterprises (PSEs) [Central/State/ Joint] / State Governments/ Cooperative Societies controlled by the Governments as a bidder in strategic disinvestment/ privatisation of PSEs has been examined in the light of New Public Sector Enterprise (PSE) policy for Atmanirbhar Bharat issued vide DIPAM's OM No.3/3/2020-DIPAM-II-B(E) dated 4th February, 2021.

2. The policy delineated four broad Strategic Sectors based on the criteria of national security, energy security, critical infrastructure, provision of financial services and availability of important minerals. In strategic sectors bare minimum presence of the existing public sector commercial enterprises at Holding Company level will be retained under Government control. The remaining enterprises in a strategic sector will be considered for privatisation or merger/ subsidiarization with another PSE or for closure. PSEs in non-strategic sectors shall be considered for privatisation, where feasible, otherwise such enterprises shall be considered for closure.

3. In general, PSEs suffer from the constraints of fresh capital infusion, lack of innovation, modern technology and the ability to diversify services and production. Due to multiple systems for accountability, these enterprises are commercially risk- averse and lack adaptability in a dynamic business environment. As a result, useful productive assets remain locked in such PSEs resulting in sub-optimal realization of valuable economic opportunities.

4. In order to realize the mission of New, Self-reliant India, the PSE policy intends to minimise the presence of Government in the PSEs across all sectors of economy and to make available newer investment opportunities for private sector, so as to allow infusion of private capital, technology, innovation and best management practices so that post-privatisation growth of PSEs may generate higher economic activities resulting in new job opportunities and growth of the ancillary industries. Therefore, transfer of management control from GoI to any other Government Organisation/ State Government may continue the inherent inefficiencies of the PSEs and this will defeat the very purpose of the New PSE Policy.

5. In this connection, the then Ministry of Disinvestment vide OM dated 18<sup>th</sup> September, 2002 had also issued a guideline restricting participation of PSEs in the disinvestment of other PSEs as bidders.

6. As per Section 2(45) of the Companies Act, 2013 "Government company" means any company in which not less than fifty-one percent of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company.

7. Considering the intent of the New PSE Policy and definition of a "Government company" as per Companies Act, 2013 it is decided that-

"As a general policy, Public Sector Enterprises (PSEs)[Central/State/ Joint] / State Governments/ Cooperative Societies controlled by the Governments (i.e. where 51% or more ownership is by the Central Government/ State Governments/Jointly by Central and/ or State Governments) are not permitted to participate in the strategic disinvestment/ privatisation of other PSUs as bidders unless otherwise specifically approved by the Central Government in public interest."

8. The Ministries/Departments are requested to communicate the above decision of the Government to all the PSEs and the Cooperative Societies under their administrative control.

9. This issues with the approval of Finance Minister.



(Aseem K Jha)

Under Secretary to the Government of India

Phone no. 24368767

To

All the Ministries/Department of Government of India.