

## **Introduction of “Maharatna” category for Central Public Sector Enterprises**

### **Cabinet Decision (24-12-2009)**

The Cabinet today approved the introduction of “Maharatna” category for Central Public Sector Enterprises (CPSEs).

### **Eligibility criteria and procedure for grant of Maharatna status**

The CPSEs meeting the following eligibility criteria are proposed to be considered for Maharatna status:

Having Navratna status

Listed on Indian stock exchange with minimum prescribed public shareholding under SEBI regulations

An average annual turnover of more than Rs.25,000 crore during the last 3 years

An average annual net worth of more than Rs.15,000 crore during the last 3 years

An average annual net profit after tax of more than Rs.5,000 crore during the last 3 years

Should have significant global presence/international operations

The procedure for grant of Maharatna status as well as their review is proposed to be similar to that in vogue for the grant of Navratna status.

The introduction of the above scheme will not entail any additional expenditure on the part of the Government.

### **Enhanced powers to Maharatna CPSEs**

The Boards of Maharatna CPSEs in addition to exercising all powers to Navratna CPSEs, will exercise enhanced powers in the area of investment in joint ventures/subsidiaries and creation of below Board level posts. The Boards of Maharatna CPSEs will have powers to (a) make equity investment to establish financial joint ventures and wholly owned subsidiaries in India or abroad and (b) undertake mergers & acquisitions, in India or abroad, subject to a ceiling of 15% of the net worth of the concerned CPSE in one project, limited to an absolute ceiling of Rs.5,000 crore (Rs.1000 crore for Navratna CPSEs). The overall ceiling on such equity investments and mergers and acquisitions in all projects put together will not exceed 30% of the net worth of the concerned CPSEs. In addition, the Boards of Maharatna CPSEs will have powers to create below Board level posts up to E-9 level.

### **Major Impact**

The main objective of the Maharatna Scheme is to empower mega CPSEs to expand their operations and emerge as global giants.

With the introduction of Maharatna Scheme, the Department of Public Enterprises has achieved one of the three tasks identified to be completed within first 100 days programme in respect of their Department.

### **Background**

The Government had introduced the Navratna scheme, in 1977, to identify Central Public Sector Enterprises (CPSEs) that had comparative advantages and to support them in their drive to become global giants. The Boards of Navratna CPSEs have been delegated powers in the

areas of (i) capital expenditure, (ii) investment in joint ventures / subsidiaries, (iii) mergers & acquisitions, (iv) human resources management, etc. At present, there are 18 Navratna CPSEs.

The current criteria for grant of Navratna status are size neutral. Over the years, some of the Navratna companies have grown very big and have considerably larger operations than their peers. It was felt that these CPSEs which are at the higher end of the Navratna category and have potential to become Indian Multinational Companies (MNCs), can be recognized as a separate class, i.e. 'Maharatna'. The proposed higher category will act as an incentive for other Navratna companies, provide brand value and facilitate delegation of enhanced powers to CPSEs.