CHAPTER 7
Public Sector Units: Restructuring and Reforms

Introduction

Public sector, in the past, had been considered as one of the major instruments of state intervention in economic activity, in the development process of a developing country. It used to be an effective instrument to regulate the pace and composition of private economic activity in a mixed economy. The objective was to achieve efficiency along with the social objective of growth with equitable distribution by setting some of the "core" economic activity in the public sector. Investment in the utility or infrastructure sector was not considered attractive to the private sector in a resource-scarce developing economy during the initial years of planned development and so, the public sector was to take the lead. Similar reasons also guided investment in the capital-goods industries and other segments of the economy. The public sector was also intended to be a model employer whose employment and wage policies were to have a moderating influence on the corresponding policies in the private sector. These objectives guided the planners to import-substitution and other related policy formulations.

This chapter would largely focus on the need for, and the method adopted in privatising the public sector enterprises in the state of Maharashtra and the problems and prospects of the successful completion of the disinvestments process in these enterprises. Section I presents a brief description of the structure, pattern of investment and performance of the public enterprises in Maharashtra. In Section II, a discussion on the need for restructuring the public enterprises is presented. Section III deals with the measures adopted in public sector restructuring, while section IV provides an assessment of the progress of PSU reforms in the state of Maharashtra. Section V gives the summary and conclusions of the present study.

Section –I

Structure of PSUs

Public sector investments in Maharashtra were also guided by the principles mentioned in introduction. As on 31st March 2001, the State had 66 Public Sector Undertakings (PSUs) comprising 61 Government companies and five statutory corporations. Out of 61 Government companies, 43 were working Government companies while 18 were non-working Government companies. All the five statutory corporations were working corporations. The number of non-working Government companies increased from 17 to 18 during 2000-01.

Besides the state PSUs, a number of central public sector units are also located in the state of Maharashtra. Availability of infrastructure facilities, early industrialisation, and labour and resource advantages have been the major factors for the large inflow of central public sector investments. Some of these central PSUs, having headquarters in Mumbai, are in the financial sector – banking and insurance, as, from the pre-independence days, Mumbai developed as the financial capital of India. Similarly, the oil PSUs are also located in Mumbai, due to heavy dependence of India on the import of oil and petroleum products, the long coastline of Maharashtra and the pre-eminence of Mumbai Port even before independence. Besides these, for historical reasons, textiles PSUs are also located in Maharashtra. Given the above background and other reasons, the share in assets in central PSUs increased from 8.63 per cent in 1980-81 to 20.34 in 1999-2000. Table 7.1 gives the profile of increase in assets of central PSUs operating in Maharashtra.

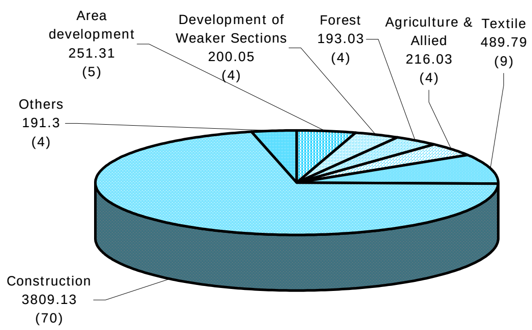
Given the above structure of PSUs, figure 7.1 presents the sectoral share of government investment in Maharashtra, as on March 31, 2002. The single largest sector of public sector investment in this state turns out to be in construction activity (70 per cent). Among the industrial sector, textiles alone have a share of about 9 per cent in total state public sector investment. Area development comes third with 5 per cent.

Table 7.1: Assets of Central Public Sector Undertakings Operating in Maharashtra

Year	1980-81	1990-91	1994-95	1999-00
Assets (per cent)	8.63	16.97	20.23	20.34

Source: Calculated from Public Enterprises Survey, 2000-01

Figure 7.1: Sector-wise Investment in Working Government Companies in Maharashtra as on 31 March, 2002



Note- Values in brackets indicates percentage of investment
Source: CAG report on PSUs in Maharashtra, 2001-02

Employment in PSUs

Directive Principles of State Policy contained in Part IV of the Constitution embody the concept of a welfare State. The Supreme Court of India has, in several of its judgments, held that the said Principles supplement the fundamental rights in achieving a welfare State. As a welfare State, it has always been the endeavor of the Government of Maharashtra that the assets and resources of the State are so utilised as to bring maximum returns for the welfare and prosperity of the people of the entire state. It has also been the endeavor of the State Government to ensure that there is an overall balanced social and economic development and progress of the whole state and the wealth and prosperity of the State are shared equitably by all the people of the State. Share of Public and Private Sector in Employment is presented in Table 7.2.

During the twenty-five year period from 1970-71 to 1994-95, the share of estimated employment in public sector increased, while that of private sector declined. Within the public sector, the share of Central and State government enterprises show a declining trend, whereas the Quasi-government and local bodies reveal an increasing trend. The share of small private enterprises has declined marginally from 2.37 to 2.08 per cent during this period. Table 7.3 provides the district-wise distribution of the factories and employment of public and private sector in Maharashtra in 1994-95.

Table 7.2: Percentage Share of Estimated Employment in Public & Private Sector

Years	Public Sector				Pvt. Sector	
	C.G.	S.G.	Quasi Govt.	Local body	Large	Small
1970-71	16.30	15.29	9.25	15.25	41.53	2.37
1980-81	15.11	13.35	15.04	15.05	39.37	2.08
1990-91	13.05	13.81	18.76	16.26	36.07	2.05
1991-92	12.75	14.47	18.45	16.38	35.95	2.00
1992-93	12.63	14.43	18.05	16.79	36.05	2.05
1993-94	12.62	14.03	17.96	17.23	36.13	2.03
1994-95	12.05	13.76	18.28	17.09	36.74	2.08

C.G. – Central Government; S.G. - State Government
Quasi - Government and Local bodies
Source: Calculated from Statistical Handbook of Maharashtra, 2000-01

Table 7.3 shows that the dispersal of public enterprises was successfully achieved in this state. Excepting the developed places in the state like Thane, Nashik, Nagpur, Pune and Raigad and of course, Mumbai (which is a large Metropolis), public sector factories and employment appear to be evenly distributed in many districts, although the share is very small. Moreover, the share of public and private enterprises in terms of the number of factories and employment seems to be following the same pattern in almost all the districts. This could largely be because of the fact that public sector investments in Maharashtra are largely distributed in manufacturing, development organisations and co-operatives. It could, therefore, be observed that in the case of Maharashtra, it was vital to distinguish between quasi-government and local bodies on the one hand and central and state-owned enterprises on the other.

It is quite likely that most of the co-operatives were included in the quasi-government and local bodies, and these co-operatives were growing in number. All the three categories of public enterprises have been getting sizeable government investment and policy attention.

Table 7.3: District-wise Share of Percentage of Working Factories and Employment in Public and Private Sector in Maharashtra: (1994-95)

Districts	Public Sector		Private Sector	
	No. of Factory	EMP	No. of Factory	EMP
B.Mumbai	22.77	38.76	37.44	32.96
Thane	4.95	14.64	15.96	13.66
Raigad	2.28	3.45	1.74	2.84
Ratnagiri	1.88	0.65	0.74	0.77
Sindhudurg	1.19	0.24	0.30	0.25
Nashik	5.25	8.04	4.64	4.42
Dhule	0.59	1.02	1.19	0.87
Jalgaon	4.36	3.19	2.51	2.04
Ahmednagar	3.37	0.79	1.74	2.45
Pune	10.59	6.03	11.61	14.96
Satara	3.66	0.88	0.86	1.44
Sangli	3.17	0.86	1.79	1.55
Solapur	2.87	2.22	1.20	1.89
Kolhapur	3.96	1.55	4.24	4.32
Aurangabad	3.07	1.35	2.05	3.71
Jalna	1.09	0.17	2.05	0.66
Parbhani	1.58	0.45	0.51	0.43
Beed	1.98	0.97	0.25	0.26
Nanded	1.98	0.91	0.47	0.93
Osmanabad	1.19	0.32	0.04	0.19
Latur	1.29	0.45	0.25	0.27
Buldhana	1.19	0.33	0.60	0.63
Akola	2.08	1.38	1.27	0.87
Amravati	3.17	1.02	0.93	0.67
Yavatmal	1.09	0.27	0.39	0.81
Wardha	1.39	1.51	0.50	0.69
Nagpur	5.64	6.73	4.41	3.70
Bhandara	0.99	0.18	0.95	0.57
Chandrapur	0.99	1.61	0.59	1.07
Gadchiroli	0.40	0.06	0.06	0.09

Source: Calculated from Statistical Handbook of Maharashtra, 2000-01

Investment in PSUs

The total investment in working PSUs has increased from Rs. 191.4 billion as on 31st March 2000 to Rs. 196.7 billion as on 31st March 2001. The total investment in non-working PSUs also has increased from Rs. 0.47 billion to Rs. 1.31 billion during the same period. The budgetary support in the form of capital, loans and grants disbursed to the working PSUs decreased from Rs. 4.72 billion in 1999-2000 to Rs. 2.82 billion in 2000-01. The State Government also released loan of Rs. 96.5 million to one non-working company during 2000-01. The State Government guaranteed loans aggregating to Rs. 29.89 billion (Rs. 29.84 billion to working PSUs and Rs. 47.5 million to non-working PSUs) during 2000-01. The total amount of outstanding loans guaranteed by the State Government to all PSUs increased from Rs. 73.35 billion as on 31st March 2000 to Rs. 205.70 billion as on 31st March 2001. The total investments in five working statutory corporations for 1999-2000, 2000-01 and 2001-02 are given in Table 7.4.

Table 7.4: Investment in Statutory Corporations in Maharashtra (Rs. in billions)

Name of corporation	1999-2000		2000-01		2001-02	
	Capital	Loan	Capital	Loan	Capital	Loan
Maharashtra State Electricity Board	14.79	110.99	34.65	96.91	34.65	104.40
Maharashtra State Road Transport Corporation	2.00	1.59	2.82	1.28	4.15	1.62
Maharashtra Industrial Development Corporation	-*	0.64	-*	0. 84	-*	1.43
Maharashtra State Financial Corporation	0.63**	8.57	0.63**	8.02	0.63#	7.68
Maharashtra State Warehousing Corporation	0.08	-	0.09	-	0.09	-
Total	17.5	121.79	38.19	107.04	39.51	115.13

Note: * There is no investment of State Government by way of share capital or loan in MIDC. However, the land is acquired by the State Government and handed over to MIDC for development activities; **Includes share application money of Rs. 1.45 crore; # Reduced due to Refund of capital of Rs. 3.84 lakh to equity shareholders.
Source: CAG Report, 2001-02

According to the latest report of the Comptroller and Auditor General (CAG), 17 working PSUs (15 Government companies and two Statutory corporations) earned aggregate profit of Rs. 0.62 billion. Against this, 28 working PSUs (25 Government companies and three Statutory corporations) incurred an aggregate loss of Rs. 30.38 billion as per the latest finalised accounts. Of the loss incurring working Government companies, 13 companies had accumulated losses aggregating Rs. 5.08 billion, which exceeded their aggregate paid-up capital of Rs. 3.30 billion. Maharashtra State Road Transport Corporation, being a loss-incurring Statutory corporation, had accumulated loss of Rs. 6.28 billion, which exceeded its paid-up capital of Rs. 2.82 billion by more than two times. Even after completion of five years of their existence, the individual turnover of 15 working and 11 non-working Government companies has been less than Rs. 50 million in each of the preceding five years of latest finalised accounts. Further, four working Government companies, which had turnover of more than Rs. 50 million, have been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth. As such, the Government may either improve the performance of these 30 Government companies or consider their closure.

Efficiency of PSUs

The Indian experience with the state-owned sector is long enough to provide a backdrop for assessing comparative efficiency of public and private sectors. Needless to mention that it is very important to understand the comparative performance of state-owned enterprises over the private enterprises, especially in circumstances where the state owned sector is a major player in the industrial arena, even after a decade of structural reforms and globalisation policy measures.

It is quite possible that private enterprises are earning, on an average, higher financial rate of profit but have a lower index of total factor productivity over the past decade, compared to the public sector. Improving the profitability alone does not strictly drive policy measures directed toward public sector disinvestments in India. As stated in the Eighth Five Year Plan, better utilisation of resources, improving efficiency and reduction in the dependence on the government transfer of funds is all of immediate concern.

From the beginning of the Eighth Five Year Plan, there has been concerted effort by the Government, both at the Centre as well as the State to privatise public enterprises. This is largely because of the fact that the plan document identified some of the principles governing public sector investments and stated that:

a) The public sector should make investment only in those areas where investment is mainly infrastructural in nature and where private sector participants are not likely to come forth to an adequate extent within a reasonable time period;
b) The public sector must withdraw from the areas where no public purpose is served by its presence; and,
c) The principle of market economy should be accepted as the main operative principle by all public sector enterprises unless the commodities and services produced and distributed are specifically for protecting the poorest in the society.

The performance of the public enterprises can be judged by several efficiency criteria. However, the financial performance assumes importance because one of the objectives of creating public sector enterprises was to generate resources for development by earning adequate returns. Most public enterprises in the state of Maharashtra have been incurring huge losses. Recent data for the year 2001-02 shows that in Maharashtra, 17 working PSUs earned an aggregate profit of Rs. 0.615 billion whereas, against this, 28 working PSUs incurred aggregate loss of Rs. 3.038 billion. The reform of the public sector in general and that of the loss-making units in particular has, therefore, assumed importance in the context of the financial strain under which all governments, both at the centre and the state, operate.

During the last two decades, many countries in the world have initiated measures of privatisation of state-owned enterprises. The disinvestment or privatisation process has been initiated with the notion that the time has come to critically assess the sectors in which public enterprises must function. This is especially in the context that the resources available for the centre and states are limited and are needed for extending the social infrastructure in a bigger way. Taking a leaf out of the Centre's book, several States have also decided to join the disinvestment bandwagon in order to raise critical fund for meeting the shortfall in fiscal deficit. The combined fiscal deficit of the Centre and States is expected to touch 10 per cent of the GDP this fiscal year. Already many international credit rating agencies and institutions like the World Bank and IMF have raised concerns about the dismal fiscal situation of both the Centre as well as the States. In the light of this, Punjab, Maharashtra and Gujarat have decided to offload their equity in the state-run companies to contain the ballooning fiscal deficit. For example, the Maharashtra Government has already announced its intention to sell strategic stakes in one of the automobile firms, which it has been holding, Maharashtra Scooters. Bajaj Auto is showing keen interest in buying the Government's stake. Around 27 per cent of the equity in Maharashtra Scooters (3.1 million shares) is held by the Maharashtra Government arm WMDC, while Bajaj Auto holds 24 per cent. Maharashtra Scooters' equity base is Rs. 114 million and at Rs. 50 per share, Bajaj Auto would have to pay Rs. 154 million for the purchase. Maharashtra Scooters shares have risen by over three times in recent months to around Rs. 90 per share on talk of a takeover by Bajaj Auto. However, the deal is yet to be finalised. There are many such instances that one comes across while analysing the restructuring of PSUs at the State level. Often, the experiences of different enterprises differ to a large extent and hence the lessons learnt could also be totally varied.

Financial Performance

The biggest problems in assessing the performance of these PSUs lie in the delays in finalisation of their accounts. The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in the case of the statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. However, as could be noticed from Annexure-2, out of 43 working Government companies in the latest CAG Report, only nine working companies and out of the five working statutory corporations only four working corporations have finalised their accounts for the year 2000-01 within stipulated period. During the period from October 2000 to September 2001, 22 working Government companies finalised 23 accounts for previous years. Similarly, during this period two working statutory corporations finalised two accounts for previous years. Worse are the accounts of 34 working Government companies and one Statutory Corporation, where the arrears for periods range from one year to 14 years, as on 30 September 2001. The cases of anomaly in some PSUs and Statutory Corporations are given in Table 7.5.

Moreover, Statutory Corporations, which account for a majority of the public sector investment and employment in Maharashtra, often end up being caught on the wrong foot by CAG. According to the latest report of the CAG, there are a number of cases in which losses amounting to crores of Rupees could have been avoided by timely and efficient action.

Table 7.5: Anomalies in PSUs Reported by the CAG

Name of the Corporation	Anomaly
Maharashtra State Police Housing and Welfare Corporation Limited	Payment of processing charges for obtaining loan without ensuring Government guarantee led to avoidable expenditure of Rs. 0.20 crore.
Maharashtra State Road Development Corporation Limited	Reimbursement of Works Contract Tax to the contractors in violation of contractual terms resulted in avoidable expenditure of Rs. 3.07 crore.
City and Industrial Development Corporation of Maharashtra Limited	Injudicious decision to construct a second banking complex without firm commitment from banks resulted in idle investment of Rs. 17.49 crore for four years with consequential loss of interest of Rs. 12.37 crore till August 2001.
Haffkine Bio-Pharmaceuticals Corporation Limited	Lacunae in terms of contract resulted in avoidable expenditure of Rs. 1.68 crore.
Maharashtra State Electricity Board (statutory)	Investment in equity of Dabhol Power Company in contravention of the recommendations of Negotiating Group resulted in payment of premium of Rs. 257.65 crore.
Maharashtra State Road Transport Corporation	Decision to construct bus station at a far away location despite permission received for constructing bus station within town resulted in idle investment of Rs. 1.25 crore.

Table 7.6 presents the financial profile of PSUs in Maharashtra. Government share in the total equity during the 1990-99 ranges from 65.47 per cent to 81.03 per cent. However, the percentage share of state's debt in total debt of the PSUs has also remained very high from 1990-91 to 1997-98.

There is a sharp decline in the percentage share of state debt in total PSU debt in 1998-99, and the dividend paid is also substantially high during this year. This could be because of the improvement in the performance of PSUs during this year. However, the overall picture remains far from being satisfactory.

Table 7.6: Financial Profile of PSUs in Maharashtra

Year	Per cent Share of state equity in total equity	Per cent Share of state debt in total debt	Dividend
1990-91	80.54	61.44	3.06
1991-92	81.03	62.43	3.44
1992-93	64.81	58.67	3.2
1993-94	76.89	47.55	4.13
1994-95	74.39	50.26	4.22
1995-96	65.47	58.09	4.41
1996-97	77.34	57.91	6.46
1997-98	74.17	57.03	5.83
1998-99	76.05	11.39	1070.14

Source: Estimation from the data provided by the Institute of Public Enterprises, Hyderabad.

Moreover, public sector undertakings in Maharashtra can be classified into three categories: Public Corporations, Enterprises and Cooperatives. Group-wise structure and performance of the PSUs in Maharashtra is provided in the following tables (Table 7.7 to 7.12).

Of the total 66 PSUs, data was largely available only for the 44 working PSUs. Out of 44 working PSUs, there are in all 25 public corporations in Maharashtra. It can be observed from Table 7.7 that the average State equity and investment are the highest in MKVDC, MIDCL, and MPBCDCL.

All the data presented here refer to the 1990s period, and they deal with average state equity, average total investment, average surplus investment average accumulated losses, average net worth, average profit before tax and average percentage share of state equity to total equity. The financial viability of these enterprises is being assessed by looking at their profitability before tax as a proportion of net worth and capital employed.

However, Maharashtra State Mining Corporation Ltd. (MSMCL) has the highest accumulated loss of Rs. 277 crores during the 1990s.

Table 7.7: Structure of PSUs (public corporations) During the 1990-99 (Rs. in crores)

Name of PSU	Avg. State Equity	Avg.Total Investment	Avg. Surplus Reserves	Avg. Accumulated Losses	Avg. Net Worth	Avg. PBIT	Avg. percent Share of State Equity to Total Equity
MSTDCL	11.74	16.03	2.64	10.62	3.76	-0.28	100.00
C I D C L	3.95	1654.84	24.32	0.00	24.71	13.26	100.00
M S S I D C L	5.18	36.17	2.67	0.89	8.48	4.58	96.05
MSFC	28.98	838.82	33.17	10.82	78.85	1.40	51.00
MDCL	10.30	34.83	0.00	3.31	13.05	0.00	100.00
MMRDC	30.75	1547.95	0.00	0.00	435.46	0.00	7.61
FDC	21.34	73.50	85.43	0.00	106.75	10.35	100.00
MLDCL	3.00	50.07	0.00	13.50	0.00	0.00	75.00
M F D C L	0.97	1.54	0.00	2.19	-0.65	-0.12	100.00
M J P	0.00	548.03	99.98	0.00	311.83	6.56	0.00
MAIDC	1.86	58.11	12.55	0.06	15.52	4.42	56.35
MIDCL	1336.59	1373.19	16.72	0.00	16.72	2.72	100.00
M S P C L	7.77	9.66	0.00	8.94	-1.17	0.11	100.00
WMDCL	0.00	2.90	3.06	0.00	5.98	1.21	0.00
MSWC	3.42	13.35	26.96	0.00	33.63	7.33	51.07
MSSCL	1.89	20.87	13.31	0.17	17.26	6.84	47.91
DCVL	7.12	9.79	0.00	3.92	2.11	0.00	100.00
MPBCDCL	313.77	1438.75	0.00	0.00	0.00	-17.95	47.69
LIDCOM	4.23	4.62	0.48	0.81	4.72	0.67	100.00
MSMCL	206.69	385.56	0.00	277.32	-97.93	19.38	100.00
HBCL	4.73	8.36	4.03	0.55	7.85	3.13	100.00
MFSCDCL	3.93	7.38	0.00	2.44	1.49	0.39	100.00
TIDC	23.36	143.87	0.00	0.00	23.36	0.00	100.00
MSPHWCL	7.96	203.82	0.01	0.00	7.97	0.00	100.00
MKVDC	3878.67	5380.67	0.00	0.00	0.00	0.00	100.00

Source: Estimated from the data made available by the Institute of Public Enterprises, Hyderabad

Three other corporations incurred an average accumulated loss of more than Rs. 10 crores, while two of them had less than Rs. 10 crores average loss. Eleven out of 25 public corporations have zero average accumulated loss, which is surprising given the fact that these are all public corporations.

From Table 7.8, it can be noticed that except one public corporation, Western Maharashtra Development Corp Ltd, no other public corporation had declared dividends during the 1990-99.

Table 7.8: Profitability and Dividends of PSUs (Public Corporations) During the 1990-99

(Rs. in Crores)

Name of PSU	Avg. percent PBIT/ Net worth	Avg. percent PBIT / K-employed	Avg. Dividends
MSTDCL	-8.78	-4.11	0.00
C I D C L	64.01	2.02	0.00
M S S I D C L	54.60	12.22	0.00
MSFC	-1.38	0.61	3.22
MDCL	0.00	0.00	0.00
MMRDC	0.00	0.00	0.00
FDCL	11.14	7.23	0.00
MLDCL	0.00	0.00	0.00
M F D C L	20.35	0.00	0.00
M J P	1.60	3.42	0.00
MAIDC	7.80	6.89	0.03
MIDCL	36.85	7.20	0.00
M S P C L	19.03	3.39	0.07
WMDCL	20.03	15.09	118.84
MSWC	38.92	17.35	0.00
MSSCL	0.00	0.00	0.00
DCVL	-11.27	-2.46	0.00
MPBCDCL	0.00	0.00	0.00
LIDCOM	13.39	14.39	0.00
MSMCL	84.07	13.81	0.00
HBCL	37.35	26.70	0.21
MFSCDCL	17.06	6.11	0.00
TIDC	0.00	0.00	0.00
MSPHWCL	0.00	0.00	0.00
MKVDC	0.00	0.00	0.00

Source: Estimated by using the data made available by Institute of Public Enterprises, Hyderabad

The picture shows a contrasting trend between profits estimated as a percentage of net worth and capital employed (higher in the case of former and lower for capital employed). Most enterprises appear to be earning less than one per cent return on capital employed during the 1990-99.

There are about 12 PSUs, which can be classified under "Enterprises" category. Table 7.9 provides data referring to the structure of these enterprises. In eight out of 12, the state government has 100 per cent equity participation.

Table 7.9: Structure of PSUs (Enterprises)

(Rs. in Crores)

Name of PSU	Avg. State Equity	Avg. Total Investment	Avg. Surplus Reserves	Avg. Accumulated Losses
M S P C L	7.77	9.66	0.00	8.94
M P C L	8.39	8.39	0.40	0.00
MECL.	9.53	45.49	7.72	15.84
DTML	0.00	13.85	0.16	9.43
Kalameshvar Textiles	0.00	16.65	0.00	7.87
Pratap Mill	0.00	16.37	0.04	15.26
PCM	0.50	12.65	0.00	9.46
MSTCL.	86.32	183.28	2.92	96.73
MSFCL	2.75	34.41	0.00	15.05
M A F C O Ltd.	4.49	6.70	0.66	0.60
MSRTC	128.85	409.31	110.84	174.60
MSRDC[7]	5.00	1019.85	56.65	0.07

Source: Estimated by using the data made available by Institute of Public Enterprises, Hyderabad

The highest average investment is in Maharashtra State Road Development Corporation Ltd. that largely caters to the infrastructure requirements of the state. The nearest Corporation is the MSRTC, constituting 40 per cent of the investment that the state has made in MSRDC. However, MSRTC accounts for the highest average losses, to the tune of Rs. 1.75 billion during the 1990s.

It is closely followed by Maharashtra State Textile Corporation Ltd. Majority of the enterprises appear to be incurring heavy losses. The only exception is the MSRDC, which in spite of receiving the highest investment from the State is incurring a very low average loss during the reference decade. It is also the only undertaking to declare dividend during this period (Table 7.10). Many others show very poor performance in terms of profits by net worth and profits by capital employed.

There are seven cooperatives maintained by the State government. Average investment during the past decade has been the highest in the Tribal

Development Corporation Ltd. The accumulated losses also appear to be the highest in this Cooperative.

Table 7.10: Profitability and Dividends of PSUs (Enterprises) (Rs. in Crores)

Name of PSU	Avg. percent PBIT/ Net worth	Avg. percent PBIT / K-employed	Avg. Dividend
M S P C L	4.35	18.61	0.00
M P C L	5.37	5.90	0.00
MECL	-1.45	1.34	0.00
DTML	-92.05	-16.21	0.00
Kalameshvar Textiles	-0.41	0.27	0.00
Pratap Mills	31.32	-55.52	0.00
PCM	-142.16	-29.52	0.00
MSTCL	10.45	-10.96	0.00
MSFCL	29.46	-14.90	0.00
M A F C O Ltd.	15.19	10.30	0.00
MSRTC	-11.27	-2.46	0.00
MSRDC	0.00	0.00	0.41

Source: Estimated using the data made available by the Institute of Public Enterprises, Hyderabad

It is very important to note that the state of Maharashtra, which has been giving a lot of importance to Cooperatives, is not really suffering too much from the accumulated losses of all of them. The average accumulated loss of all other Cooperatives is far much lower than the Public Corporations or Enterprises. Return on capital employed and net worth appear to be low for the Cooperatives also. It is not really surprising given the fact that these Cooperatives are more service-oriented rather than profit maximising.

From the ongoing analysis, it can be observed that most PSUs in Maharashtra are not doing well in terms of return on capital employed or profit to net worth ratio. A few seem to be adding the burden on the exchequer with every year pass by. It is extremely important to tackle the problems of the loss-making ones on a priority basis. It is needless to mention that the focus of policy makers should also be to find out the problems and constraints of the individual corporations/enterprise/cooperatives and take adequate preventive actions.

Table 7.12: Profitability and Dividends of PSUs (Cooperatives) (Rs. in Crores)

Name of PSU	Avg. percent PBIT/ Net worth	Avg. percent PBIT / K-employed	Avg. Dividends
MHADA	12.35	15.90	0.00
MSHCFL	-24.19	-3.04	0.00
KCML	-8.34	-5.55	0.00
MSCMFL	12.40	6.52	0.25
MMSVM	0.00	0.00	0.00
MSCCGMF	5.61	3.88	0.00
MSCTDCL	14.53	25.74	0.00

Source: Estimated from the data made available by the Institute of Public Enterprises, Hyderabad

Section – II

Need for Restructuring and Reforms

To assist in the achievement of the objective of a welfare State, the Government of Maharashtra has established several State Enterprises. However, it was noticed by the Government that in spite of several measures taken in the past for this purpose, the operational and financial viability of several State Enterprises had deteriorated progressively, thereby not only straining the resources of the State but also adversely affecting the objectives of these State Enterprises. In addition, the rapid

Table 7.11: Structure of PSUs (Cooperatives)

(Rs. in Crores)

Name of PSU	Avg. State Equity	Avg. Total Investment	Avg. Surplus Reserves	Avg. Accumulated Losses	Avg. Net Worth	Avg. PBIT	Avg. percent Share of State Equity to Total Equity
MHADA	0.00	423.64	218.45	0.00	205.19	15.75	0.00
MSHCFL	1.20	3.19	1.18	2.58	1.90	0.33	96.77
KCML	2.13	2.22	0.08	0.86	1.60	-0.13	88.89
MSCMFL	10.09	47.02	30.82	0.00	41.43	5.09	94.93
MMSVM	0.00	1.96	0.00	0.13	1.66	0.00	0.00
MSCCGMF	1.78	11.31	9.38	1.38	10.11	0.68	96.80
M.SCTDCL	1428.61	1560.74	29.57	81.45	3017.27	449.84	92.04

Source: Estimated using the data made available by the Institute of Public Enterprises, Hyderabad development of information technologies such as telecommunication, computers, microelectronics, robotics, fibre optics, and advanced and composite materials intensified the competition in both the global as well as the local markets. In this world of rapidly evolving technology, the public firms failed to keep pace, since their decisions were often taken by political considerations and also their response to changing markets and technologies were usually very sluggish. Moreover, these enterprises have also been largely overstaffed and depended heavily on subsidies and unilateral budget transfers for financial support.

Problem of implicit subsidy

Implicit subsidy implies excess of subsidy enjoyed by the PSUs out of the government investment either directly or indirectly. This causes cash losses, fiscal benefits and a notional 15 per cent return on the investment made by the State government in the form of equity, preference shares and accumulated reserves, if any. The summation of all – less the dividend (if any) paid back by the SPEs to the State Government constitutes implicit subsidy. Thus, the concept of implicit subsidy means a burden on the State's exchequer. Comparing the implicit subsidy of Maharashtra between 1985-86 and 1997-98, it can be pointed out that Maharashtra's implied subsidy increased from Rs. 54 to Rs. 1140 between 1984-85 and 1997-98.

Resource generation and wider participation

Public sector disinvestments has also assumed considerable importance among the policy makers, as it is considered to be one of the major sources of resource generation and privatisation of these enterprises is expected to enable wider participation. Privatisation of public enterprises generate new sources of cash flow and finance for enterprises in both domestic and foreign markets, and also they in turn, reduce government's fiscal deficit by using privatisation revenues to retire external and domestic debt, reducing the fiscal transfers to state enterprises and increased tax revenues through higher profits generated by privatised enterprises.

Competitiveness and Improved Performance

Most public enterprises are important suppliers of goods and services to the private sector. Their poor performance, as a result, affects the performance of the private firms also, especially in a protected market. The State Government being concerned to ensure that these State Enterprises, which have been set up for the development of infrastructure in the State and for facilitating the availability of goods and services to promote social and economic development in the State, continue to play an effective role and remain financially viable. Therefore, necessity had arisen, of immediate intervention by the Government by making available the services of an expert body to provide mandatory advice and assistance to the Government as well as to such State Enterprises with a view of enabling the latter to observe strict financial discipline and to revive or to reorganise and restructure themselves to become financially viable and operationally sound. For the aforesaid purposes, it was considered expedient to make and pass a special law and accordingly the Maharashtra State Enterprises (Restructuring and other special provisions) Act, 2000 (Maharashtra Act No. XXXIII of 2001) was passed. Under this Act, the State Government has constituted Maharashtra Board for Restructuring State Enterprises.

The board would enjoy a whole gamut of powers for recommending measures for restructuring, amalgamation, merger, closure, and divestment of state public enterprises. Apart from the Chairman, the board would comprise of two other members. Under the provisions of the Act, the State Government can make a reference to the Board in respect of a state enterprise where it wants to withdraw its ownership or management or divest its control especially when the financial condition of such enterprises is not satisfactory and requires remedial measures. The State Government can also make such a reference when two or more state enterprises or subsidiaries can be merged for improving their financial position, operations and management.

Section – III

Policy Measures for Restructuring

In accordance with the disinvestments measure adopted by the Central PSUs, a number of measures for restructuring the public sector units have also been attempted by the Government of Maharashtra. New Industry, Trade and Commerce Policy for Maharashtra for 1995, stated its policy on privatisation and the State Bureau of Public

Enterprises of Maharashtra has explained the need for restructuring for the retained enterprises. The privatisation policy stresses the need for the privatisation of commercial and commercial cum promotional undertakings. It also seeks private sector participation in the construction of irrigation dams, roads, bridges, power projects as well as industrial estates and development of ports. The State Bureau of Public Enterprises suggests the formulation of specified minimum norms of returns, reduction/control of administrative costs and closure of non-viable PSUs not serving any serious public purpose. It is generally felt that current profit, and/or current loss, need not necessarily be the appropriate criterion for disinvestments. Merely because a unit is profitable, it does not qualify to continue to be publicly owned, unless it meets a well-defined felt need. Loss making units need not be excluded from disinvestments, if there are buyers who can make it profitable.

As mentioned earlier, there are at least two major reasons adduced for the disinvestments. One is to provide fiscal support and the other is to improve the efficiency of the enterprise. The fiscal support argument has to be given adequate weightage. The demands on the state governments are increasing because of the compelling need to expand the activities of the state in the areas like education, public health, medicine and environment. It could be argued that a part of the additional resources needed for supporting these activities come out of the sale of shares built up earlier by the government out of its resources. Secondly, disinvestments in PSUs are expected to result in improving the efficiency of the enterprise. It is generally felt that the dilution of ownership results in the improvement in the efficiency of the enterprise, especially because of the increase in accountability of those in charge of the enterprise. The shareholders of the enterprise would require to be compensated and this in turn will compel the enterprise to operate more efficiently and perhaps earn more profit as well. Disinvestments can therefore be regarded as a tool for enhancing economic efficiency.

With regard to the extent of disinvestments, the level of disinvestments in an enterprise in any year should be derived from the target level of government ownership in that enterprise over the medium term. The target level could vary across enterprise and industry in which they operate. The target level of disinvestments should be derived from the desirable level of public ownership in an activity or unit consistent with the state's industrial policy. The approach paper of the Ninth Plan states that "disinvestments will be considered upto 51 per cent and beyond in the case of PSUs operating in non-strategic and non-core sectors". The most important aspect here is the identification of the enterprises in terms of core, non-core, strategic, etc. The consensus is that in the case of non-core and non-strategic sectors, the disinvestments can be beyond 51 per cent also. For the rest of the sectors, the criterion of disinvestments can be the extent of improvement and efficiency that can be brought about as well as the need to take care of the financial requirements of the government.

In addition, the government needs to identify the process to be adopted for disinvestments. This requires an appropriate valuation of the shares and the modalities to be adopted for sale. There are three methods of valuation of shares that are usually adopted: net asset value (NAV) method, profit earning capacity value method and discounted cash flow method. The NAV would indicate the value of the asset, but not the profitability or income to the investors. The discounted cash flow is a far more comprehensive method of reflecting the expected income flows to the investors. Valuation is a difficult exercise, especially because different methods can provide different results. The price at which a share can be sold is determined by the investor perception rather than a simple measure of its intrinsic worth. It is vital, therefore, to go in for full disclosure to generate credibility and investor interest. The Disinvestment Commission has identified two acceptable and transparent processes:

a) Offering shares of public sector enterprises at a fixed price through a general prospectus. The offer is made to the general public through the medium of recognised market intermediaries.

b) Sale of equity through auction of shares amongst predetermined clientele whose number can be as large as necessary or practicable. The reserve price for the public sector enterprises' equity can be determined with the assistance of merchant bankers.

Following these principles, the Government of Maharashtra constituted a Cabinet Sub-Committee to review the loss incurring non-viable PSUs. An Advisory Board, headed by Shri. V.G. Rajyadhyaksha was set up in 1986 to report on the working of PSUs and make recommendations on their restructuring and privatisation. The Board examined the working of 22 enterprises and suggested the following measures:

a) Reduction of equity to the Government of Maharashtra to 49 per cent and at a later date to 26 per cent by disinvestment and /or preferably by allowing the Haffkine Bio-Pharmaceuticals Corporation Ltd. to issue fresh shares to the public/financial institutions and at a minimum premium of Rs. 80 per share;
b) Setting up of joint ventures controlling seed production costs and producing only profit making seed varieties and go in for tax planning by the Maharashtra Seeds Corporation Ltd.;
c) Closure of Overseas Employment & Export Promotion Corporation Ltd.
d) Reduction of overheads, formulation of new marketing strategies, development of new products, higher capacity utilisation by production plants and innovation in the spot decisions by Maharashtra State Oil Seeds.
e) Elimination of OBC Schemes, weeding out of subsidy schemes and the concentration on training schemes by Mahatma Phule Backward Class Development Corporation Ltd.
f) Selling the company as a going concern or as a next step selling 51 per cent of the shareholding to a strong private sector partner or yet exploring the possibility of selling 51 per cent of its stock in the market / to the financial institutions/ to State Industrial & Investment Corporation of Maharashtra Ltd. (SICOM) in the case of Maharashtra Electronics Corporation Ltd. The Board also suggested the strategy of separating three potentially viable divisions and forming joint ventures. The Board suggested that the funding of the restructuring and privatisation of Meltron could among other things be done by disposing off Meltron Semi Conductors Ltd.
g) Building up core competence in the area of training and withdrawing from agricultural activities in the case of Mahila Arthik Vikas Nigam.
h) Selling 51 per cent of shares to public, financial institutions, private sector in the case of MAFCO.
i) Restructuring of the sick Maharashtra State Financial Corporation, which has accumulated losses of Rs. 7 billion.

Section – IV

Progress of PSU Reforms

Although many state governments have been taking initiatives towards the disinvestments of public sector enterprises, the record of performance of disinvestments shows a varied picture. As can be observed from Table 7.13, the GoM has initiated disinvestments in only 3 enterprises out of six identified. This is a very poor record when compared to other States. However, Government of Maharashtra has simultaneously highlighted the need to have a relook at some of the Regional Corporations that it has created during the past few decades. The Government closed down 4 such Corporations in 1992, which pruned the labour force of PSUs by a number of 8,000. Winding up decisions were taken in December 1993. It required the closure of three units including Gondwana Paints and Vidarbha Gems.

The State Industrial & Investment Corporation of Maharashtra Ltd. (SICOM) was privatised in 1996. Although the process of privatisation started in 1994, a number of procedural formalities delayed its privatisation earlier. The privatisation of SICOM Ltd. was the trendsetter for privatisation of PSUs in Maharashtra and other States. Although the five Irrigation Development Corporations have minimal investments from the Government and have raised significant sums from capital markets / private placements, there is a need to merge five Irrigation Development Corporations. The State Electricity Board can also benefit from restructuring and privatisation, which may help it save some operational costs and mobilise funds for its maintenance and expansion. The most serious problem with the PSUs in Maharashtra, like in other states as well, is that although they continue to incur

Table 7.13: Record of Disinvestments in States

Name of the State	Approximate number of State Level Public Enterprises (SLPEs)	Estimated total investment in SLPEs (Rs in crores)	SLPEs identified for disinvestment / winding up / restructuring	No. of SLPEs in which process initiated
Andhra Pradesh	51	4444	21	10
Assam	42	3676	1	--
Goa	12	4869	1	--
Gujarat	49	23438	11	5
Haryana	27	4746	8	5
Himachal Pradesh	21	3143	15	--
Jammu & Kashmir	N/A	N/A	7	2
Karnataka	77	16641	17	9
Madhya Pradesh	34	8561	27	2
Maharashtra	**65**	**19186**	**6**	**3**
Manipur	14	N/A	10	--
Orissa	72	8544	N/A	N/A
Punjab	53	12425	9	2
Rajasthan	24	10838	11	--
Tamil Nadu	84	10158	13	3
Uttar Pradesh	50	17313	25	6
West Bengal	80	14081	2	2

Source: Public Enterprises Survey, 2000-01

losses and their paid-up capital eroded, the state government has been providing funds to them in the form of equity capital, loans and grants/subsidy.

These funds are often taken for granted and therefore no serious effort is being made by the management of the PSUs to correct the imbalance and the dependence on the exchequer. This, in turn, imposes higher burden on the state government, which is struggling to make both the ends meet on its budgetary allocations. As pointed out earlier, there are 30 enterprises that have been identified to be ready for mergers, restructuring or disinvestments. No policy initiatives appear to have taken place in finding a solution for these enterprises.

In fact, according to the CAG report, the state government did not undertake the exercise of disinvestments, privatisation and restructuring of any of its Public Sector Undertakings during the fiscal year 2000-01. At this rate, PSU reform and restructuring would continue to be a distant dream for the state of Maharashtra.

In all, there are four enterprises in which restructuring operations have been initiated during the recent times (before the year 2000) by the Government of Maharashtra. A brief description of the restructuring process in these enterprises is given below.

Maharashtra Small Scale Industries Development Corporation Ltd. (MSSIDC)

Incorporated in 1962, MSSIDC's activities include the procurement and distribution of raw materials required by small industries, assistance in marketing their products – both inside and outside the country and making available warehousing and storage facilities where required. MSSIDC's current employee strength is 458 of which 128 are officers/supervisors and 242 are clerical and 88 class IV employees. It is a profit earning company and its net worth stood at Rs. 98.72 million in 1996-97. The economic liberalisation has put the company in a tight corner as it does not enjoy the monopoly in raw materials procurement and faces price and incentive wars from its counterparts in the private sector.

It now operates in the buyers' market, where the buyer has the option to switch over from one to the other supplier on account of price, delivery schedule and quality. Further the company cannot prolong its life only on trading. It is necessary for the company to have autonomy to make commercial decisions to face market driven business. It was in this backdrop that Government decided to privatise MSSIDC in 1995. An empowered Committee was set up to decide about the mode of privatisation. M/s Sriram Investments Ltd. was appointed to advise the Committee on the modalities of privatisation. This firm, in its report, suggested three routes for privatisation: outright sale; selling equity through public offer and; issuing non-convertible debentures (NCD) with warrants tradable at the end of 3 years with the guaranteed rate of return of 15 per cent p.a. The Government is veering round the idea of preferring the NCD option as it will give adequate time to the management to restructure the operations of MSSIDC and continue to retain the State control to keep vigil on certain critical issues. Besides, the company will obtain immediate cash to overcome the financial crunch. The investors in NCDs pending privatisation will have the incentive to nominate one person on the Board of Directors per 10 per cent of the subscription to the NCDs. The MSSIDC is planning to commence many new businesses, which may include financial services, hiring of its godowns, involving in synergistic operations with SIDBI and SFCs to exploit the use of its existing network of the branches and funding of suppliers against deliveries. The company is proposing to issue bonus shares to the Government.

Maharashtra State Road Transport Corporation

This Corporation was set up in 1964 to provide a coordinated, economic and efficient system of road transport services to the travelling public of the State. It had 1,12,146 employees on its role as on March 31, 1997. The Corporation incurred a net loss of Rs. 1.36 billion during this year. The Corporation on the directives of the State Government is providing concession travel, which alone made it incur a loss of Rs. 0.84 billion. The obligatory trips to rural areas resulted in a loss of Rs. 0.68 billion. The Corporation is facing a severe crunch impeding its fleet expansion and modernisation and also meeting POL expenses and wage costs. More than 51 per cent disinvestment seems to be the only way to make the Corporation work effectively in its discharge of its objectives. The British Transport privatisation is being considered a good model, which may facilitate the setting up of a regulatory authority shouldered with the responsibility of promoting competition and regulation of tariffs. There is a need to reduce the bus-staff ratio and curbing the plying of private buses on nationalised routes. The disinvestment process in this premier transport corporation would take a long time to complete, and therefore the burden on the State government would continue for some more time.

Western Maharashtra Development Corporation (WMDC)

WMDC has a distillery unit at Chitali in Ahmednagar District. Since June 1993, molasses has been decontrolled and WMDC is finding it difficult to acquire molasses for its manufacturing processes and the distillery had to be closed for a number of days in a working season. As such, the Government intends to privatise this distillery unit. Out of the various alternatives available, the conversion of the distillery unit into a subsidiary company and to offer on sale the equity to a private sector company/entrepreneur is finding favour with the Government. This is a new approach that the government is taking. That is, instead of selling the shares of the company through the market, it wants to convert the distillery unit into a subsidiary company and sell the equities of that subsidiary to a private sector identified perhaps as a strategic buyer. Here again, the divestment process is still in the process of finalisation.

Development Corporation of Konkan Limited (DCKL)

DCKL has a rubber project in Sindhudurg district. DCKL has acquired 254 hectares of land from the farmers on a leasehold basis. Ownership rights are with the landholders and management rights are with the Joint Venture Company i.e., DCKL and a private sector plantation company. DCKL has 24 per cent shares and the private company has 74 per cent shares in the equity. Private sector partner has paid 30 per cent of the cost of the project (estimated at Rs. 11.7 million) to DCKL at the time of signing the JV agreement. The balance amount has been treated as a loan of DCKL for which rate of interest is 16 per cent. The loan is repayable in 3 years in half yearly instalment and this will enable DCKL to recover the complete expenditure incurred in the project. DCKL was also involved in joint sector project involving oil palm plantation in which land of about 1035 hectares was acquired from the farmers but they retain their ownership rights. DCKL has equity of 26 per cent in the joint venture and the private company has a 74 per cent share. The joint venture company (JVC) has management rights and will remain and take care of the plantation and yield for further processing. An oil factory has been erected by the JVC and it has started functioning since June 1999.

It is evident from these four cases that the Government of Maharashtra is adopting different methods in dealing with the PSU restructuring. Some of these methods are unit-specific, especially guided by the micro-level problems that the companies have been encountering, and are not strictly applicable in the other cases. This approach, however, would be very time-consuming and hence there would be delays in finalisation of the process of restructuring. Such a unit-level approach to reform and restructuring, in spite of this time requirement is likely to be more effective and efficient method of reforming the aforesaid PSU. Efforts need to be directed to reduce the time taken in finalisation of the procedures of restructuring and effective and timely implementation of the same. The process of restructuring also requires the support of labour and other affected parties. Unit-level reform measures should also ensure that the labour unions are taken into confidence in the finalisation of the policies. Such process alone can ensure the successful completion of the reform measures and keep the cost of reform minimal. The analyses of the restructuring package introduced/used so far reveal that the State of Maharashtra is in the right direction, but moving with tremendous precaution.

Studies on the effect of different types of disinvestment in Central PSUs reveal that strategic sale using the first-priced sealed-bid method currently employed cannot always be counted upon to maximise efficiency and revenues (Ram Mohan, 2003). This is especially because under the strategic sale there is a danger of a large stake being sold cheaply. Further, there is also an element of irretrievability in strategic sale. On the contrary, empirical evidence in public sector disinvestment in India and other countries point towards the sale of government shares through an initial public offer (IPO) especially because the share issue privatisation (SIP) is consistent with post-privatisation improvement in performance in firms privatised through this route. Naib (2003) examined the impact of divestiture in Indian state-owned enterprises and points out that in the case of partial divestiture, where divested equity is thinly spread with the majority shareholding still with the government, there has been no improvement in terms of profitability and operational efficiency. He suggests that strategic sale, where management control passes to the strategic partner will free the enterprises from political/bureaucratic controls, enabling them to take decisions in line with the market demands. In profitable PSUs, however, equity should also be offered to the public and the employees (Naib, 2003). Learning from the results of these analyses, the Government of Maharashtra has tremendous scope for formulating an efficient method of restructuring the PSUs in the State. The method followed could differ across the nature and scope of the enterprises – especially on the basis of their strategic importance and performance.

Section –V

Summary and Conclusions

This chapter provides an overview of the need for policy initiatives for restructuring and reforming of the public sector undertakings in Maharashtra. Most of the PSUs in Maharashtra are in financially vulnerable position and continue to depend on the grants and support from the government. There are atleast 30 units where restructuring can take place immediately. Several of these 30 units operate at low efficiency and high cost. The government could easily merge some of them and form a single corporation. However, not many initiatives have been taken on these units so far. Moreover, there appear to be tremendous delays in the finalisation of the accounts of the PSUs in Maharashtra, which make most of the analysis extremely difficult to carry out. Added to this were the inefficient practices of some of the PSUs, which resulted in severe losses to the Government. This has been pointed out by the CAG but appear to be over looked by the management of the enterprise and the Government. An evaluation of the PSU restructuring in Maharashtra reveals that the restructuring process is far from being satisfactory.

There are several problems, a number of which are unit-specific that need to be taken into account. Efforts have been made to formulate unit specific policies for restructuring. However, most of it has been very time-consuming and these delays have resulted in increasing the burden on the exchequer. The state seems to be traversing on a right path, however, very cautiously. Over-caution can create distrust among the potential buyers.

Further, outright sale of the equities of the public sector enterprises may not evoke much response; in the absence of a clear-cut portrayal of the role of the State as well as the enterprise in the industry and the economy in which the firm operates. Moreover, the acquisition (of assets of a public enterprise by the private sector firm) process often involves a bidder acquiring the shares of a majority shareholder in a target company at a negotiated price. Alternatively, the bidder could acquire shares via open market purchases. Following Anshuman (2003) it could be argued that all strategic sales of assets to the private parties result in a transfer of wealth from the majority shareholders to the minority shareholders. This is especially true when the Government offers privatisation under "dual-priced offers". As a result, lower proceeds are raised in disinvestments involving strategic sale of PSUs with a public float. Also, empirical evidence in India points toward identifying a unit-specific disinvestment strategy. Such a strategy would go a long way to improve the efficiency and revenue generation capacity of the enterprise. The experience in the use of IPO method in the case of profit making Central PSUs in the petroleum industry could be an eye-opener for the State.

To sum up, Maharashtra's restructuring and privatisation agenda is only slowly gaining momentum. Privatisation and restructuring will provide a good deal of revenues to the state Government and make the PSUs commercial entities in the true sense of the term. This drive has the tacit support of the Maharashtra Government. The State, however, needs to make a clear distinction between public corporations/enterprises and cooperatives in the manner in which it proceeds for disinvestment. The sooner it makes the distinction clear, the faster can the State proceed towards disinvestment. This is especially because the fiscal support for inefficient and loss-making public enterprises can no longer be sustained. Public Sector Cooperatives, on the other hand, have a welfare maximisation criterion, which would make formulation of disinvestment policy a bit difficult in these cases. Further, the labour force should also be taken into confidence in coming to terms with the realities. Technical and conceptual capabilities, which can provide impetus to this exercise, are the needs of the hour in the programme of restructuring and reformulation of the Public sector undertakings in Maharashtra.