Context:

Government of India has accorded ‘Maharatna’ status to public sector undertaking’s (PSU’s) Hindustan Petroleum Corporation Limited (HPCL) and Power Grid Corporation.

Impact:

This will impart greater operational and financial autonomy thus enhancing powers to their Boards to take financial decisions.

Boards of these PSUs can make equity investments to undertake financial joint ventures (JV) and wholly owned subsidiaries and undertake mergers and acquisitions (M&A) in India as well as abroad. This is however subjected to a ceiling of 15% of net worth of concerned CPSE, limited to Rs 5,000 crore in one project.

The Boards can also structure and implement schemes relating to personnel as well as human resource management and training.

Holding companies of a ‘Maharatna’ PSU are also empowered to float fresh equity, transfer assets, divest shareholding in subsidiaries, but are subjected to condition that the delegation will only be in respect of subsidiaries set up by holding company.

Criteria for grant of Maharatna status:

# Shall be given to CPSEs:
# Having Navratna status.
# Listed on Indian stock exchange with minimum prescribed public shareholding under SEBI regulations.
# Average annual turnover of more than Rs. 25,000 crore, during the last 3 years.
# Average annual net worth of more than Rs. 15,000 crore, during the last 3 years.
# 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.

Criteria for grant of Navratna status:

The Miniratna Category – I and Schedule ‘A’ CPSEs, which have obtained ‘excellent’ or ‘very good’ rating under the Memorandum of Understanding system in three of the last five years, and have composite score of 60 or above in the six selected performance parameters, namely,

1. net profit to net worth.
2. manpower cost to total cost of production/services.
3. profit before depreciation, interest and taxes to capital employed.
4. profit before interest and taxes to turnover.
5. earning per share.
6. inter-sectoral performance.

Criteria for grant of Miniratna status:
The CPSEs which have made profits in the last three years continuously and have positive net worth are eligible to be considered for grant of Miniratna status.