

Standing Committee Report Summary

Impact of COVID-19 on PSUs and initiatives taken by PSUs under Atmanirbhar Bharat Abhiyaan

- In March 2021, the Standing Committee on Industry (Chair: Dr. K. Keshava Rao) submitted its report on the subject ‘Impact of COVID-19 on Public Sector Undertakings (PSUs) and the initiatives taken by the PSUs under Atmanirbhar Bharat Abhiyaan’. Owing to the spread of COVID-19, the central government imposed a 21-day nationwide lockdown from March 25, 2020. Due to the rise in COVID-19 cases, the lockdown was extended with phased relaxation till May 31, 2020, post which restrictions have been further withdrawn. Key observations and recommendations include:
 - **Economic impact on Central Public Sector Enterprises (CPSEs):** The Committee noted the decrease in production and the severity of operational disruptions in CPSEs due to the lockdown. CPSEs are companies owned by the central government. For example, in the first half of 2020-21 (Apr-Sep), natural gas production by CPSEs was down by 10% and production of steel and allied products by CPSEs was down by 21%, as compared to the first half of 2019-20. The Committee recommended that a detailed study should be conducted to understand the actual impact of the lockdowns on the performance of the CPSEs. Consequently, the government should make the necessary intervention to mitigate the economic impact.
 - **Impact of Aatmanirbhar Bharat Abhiyaan:** The Committee acknowledged the stimulus package announced by the central government for the economic revival of the country. However, it observed that the package is not enough to boost the economy after a large contraction of GDP in 2020-21. GDP contracted by 24% in the first quarter of 2020-21 (April-June), compared to the same quarter in 2019-20. It recommended that the central government should provide a larger stimulus package to strengthen the business needs of the economy.
 - **Pending dues of MSMEs:** The Committee noted that the CPSEs frequently engage with and procure raw materials from Medium and Small Enterprises (MSMEs). It noted that three CPSEs, i.e., BSNL, MTNL, and Bridge and Roof Ltd., had outstanding dues towards MSMEs. It recommended that the concerned Ministries should ensure that the pending dues are cleared expeditiously.
 - **Research and Development:** The Committee noted that India imports high-end machines required for manufacturing since the domestic industry does not have the technological capabilities to manufacture the same. It recommended that concerted efforts should be made to drive technology innovations and create a conducive environment for research and innovation. Further, it recommended that research institutions should be provided financial assistance to support research and development activities.
 - **Corporate Social Responsibility (CSR) activities:** The Companies Act, 2013 mandates all profit-making CPSEs to allocate 2% of their average net profits of the three preceding years towards CSR activities. Further, CPSEs should utilise their CSR funds in a focussed manner towards national priorities through a theme-based approach each year. The Committee noted that most of the contributions by the CPSEs to the PM CARES Fund have been made from their CSR funds. This has diverted a large share of capital that would otherwise have been utilised towards a theme-based CSR activity in the local area of the CPSE. It recommended that efforts be made to ensure that the CPSEs utilise their CSR funds to meet the targets set for the theme-based activities in their respective areas.
 - **CPSEs and private sector:** The Committee noted that the strength of CPSEs is their manpower and that of the private sector is their investment capability in research and development. It recommended that the government should take initiatives to bring together the public and private sectors to complement each other to build a sustainably self-reliant India.
 - **Bharat Heavy Electrical Limited (BHEL):** The Committee recommended that BHEL should take initiatives to cut its fixed costs. Further, it should diversify beyond power into areas such as defence, transportation, aerospace, e-mobility batteries, and oil and gas to increase revenue.

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