

3.2.7 In respect of other CPSEs like Sick companies, CPSEs under construction and the CPSEs that by the very nature of their business are not-for-profit companies, the Committee recommends as under:-

(i) In respect of Sick CPSEs referred to Board for Industrial and Financial Reconstruction (BIFR) / Appellate Authority for Industrial and Financial Reconstruction (AAIFR), the revision of pay scales should be in accordance with rehabilitation packages approved by the Government and providing for the additional expenditure on account of pay revision in these packages.

(ii) The Committee observed that the sick CPSEs that have not been referred to BIFR, the Department of Public Enterprises (DPE) vide its OM No. DPE/5(1)/2014-Fin.(Part) dated 7.9.2016 has conveyed the guidelines for time bound closure of sick CPSEs that are in the different stages / process of closure. The Committee endorses the initiatives taken by the DPE in this regard. As regards the sick CPSEs that have neither been referred to BIFR nor the closure process is underway, the DPE should ensure that such CPSEs are either referred to BIFR (by considering improvement in the compensation structure to the extent feasible in line with the recommended revised pay-package) or identify the same for closure by way of payment of financial compensation, discharge of liabilities, monetization of lands and moveable assets, etc. as laid down under DPE's OM dated 7.9.2016.

(iii) The CPSEs registered under Section 25 of the Companies Act, 1956, or under Section 8 of the Companies Act, 2013 are by the very nature of their business are not-for-profit companies as these CPSEs are mostly set up to implement Government programmes for specific sectors or sections of the society, like to promote commerce, art, science, religion, charity or any other useful purpose. These are not operating in a competitive market and do not normally function with a profit motive; however such companies are to apply their profits, if any, or other income in promoting their objectives. These companies are prohibited from distributing dividends to its members. A few of such non-commercial CPSEs are **India Trade Promotion Organization (ITPO), National Scheduled Tribes Finance and Development Corporation (NSTFDC), Artificial Limbs Manufacturing Corporation of India (ALIMCO), etc.** Thus, the affordability condition shall also be applicable to these CPSEs for implementation of the revised compensation structure (including Performance Related Pay) as being recommended for other CPSEs. **[BSNL is registered under Section 617 of the Companies Act, 1956]**

(iv) There are also certain CPSEs which have been formed as an independent Government company under a statute to perform specific agenda / regulatory functions. The revenue stream of such CPSEs are not linked to profits from the open market competitive scenario but are governed through the fees & charges, as prescribed and amended from time to time by the Government. There is no budgetary support provided by the Government to such CPSEs. In consideration that the impact of the revised compensation structure (including Performance Related Pay) would supposedly form the part of revenue stream for such CPSEs, the Committee recommends that affordability condition shall not be applicable to these CPSEs; however the implementation of same shall be subject to the approval of Administrative Ministry upon agreeing and ensuring to incorporate the impact of the revised compensation structure into the revenue stream.