

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
RAJYA SABHA
QUESTION NO 09.11.2010
ANSWERED ON
PROPOSALS OF DISINVESTMENT IN PSUs .

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Will the Minister of COALCOALCOALCOALFINANCE be pleased to state :-

- (a) whether any proposal of capital disinvestment from several Public Sector Undertakings (PSUs) is pending with the Central Government;
- (b) if so, the details thereof; and
- (c) in what way Government contemplates to use the money to be mobilized thereby?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(S.S. PALANIMANICKAM)

(a) & (b) The disinvestment policy envisages that;

(i) already listed profitable CPSUs not meeting the mandatory public shareholding of 10 per cent are to be made compliant;

(ii) all CPSUs having positive networth, no accumulated losses and having earned net profit for three preceding consecutive years, are to be listed through public offerings out of Government shareholding or issue of fresh equity by the company or a combination of both.

(iii) follow-on public offers would be considered in respect of profitable CPSEs having 10 per cent or higher public ownership, taking into consideration the needs for capital investment of CPSE, on a case by case basis and Government could simultaneously or independently offer a portion of its equity shareholding in conjunction.

All cases of disinvestment are to be decided on a case by case basis.

In all cases of disinvestment the Government would retain at least 51 per cent equity and the management control.

In pursuance of the above policy the Government has decided to disinvest part of its shareholding in the following Companies, which are likely to be completed in the current financial year:

(i) Power Grid Corporation of India Limited : 10 per cent of pre-issue paid-up capital of the Company in conjunction with issue of fresh equity of 10 per cent by the Company.

(ii) Hindustan Copper Limited : 10 per cent of pre-issue paid-up capital of the Company in conjunction with issue of fresh equity of 10 per cent by the Company.

(iii) Steel Authority of India Limited : 5 per cent of pre-issue paid-up capital of the Company in conjunction with issue of fresh equity of 5 per cent by the Company.

(iv) Manganese Ore India Limited : 10 per cent of pre-issue paid-up capital of the Company by Government of India in conjunction with 5 per cent each of Government of Maharashtra and Government of Madhya Pradesh.

(v) Shipping Corporation of India Limited : 10 per cent of pre-issue paid-up capital of the Company in conjunction with issue of fresh equity of 10 per cent by the Company. Further, the cases for disinvestment in the following Companies are under consideration of Government:

(i) Indian Oil Corporation of India : 10 per cent of pre-issue paid-up capital of the Company in conjunction

with issue of fresh equity of 10 per cent by the Company.

(ii)Oil & Natural Gas Corporation Limited : 5 per cent of pre-issue paid-up capital of the Company by Government of India.

(c)USE OF DISINVESTMENT PROCEEDS:

The disinvestment proceeds are channelised into National Investment Fund and income from the Fund is used for investment in social sector projects and capital investment in selected profitable/ revivable Public Sector Enterprises in order to enlarge their capital base to finance expansion/ diversification. The corpus of the Fund is `1814.45 crore.

In view of the difficult economic situation caused by the global slowdown of 2008-09 and a severe drought that could adversely affect the 11th Plan growth performance, Government in November 2009 decided to give one time exemption for utilization of proceeds from disinvestment of CPSEs for a period of three years - from April 2009 to March 2012 – i.e. disinvestment proceeds during this period would be available in full for investment in specific social sector schemes decided by Planning Commission/Department of Expenditure. The status quo ante will be restored from April 2012. However, the existing corpus of the NIF shall remain untouched and continue to be managed by the Fund Managers.

The disinvestment proceeds are being used for funding the capital expenditure under the social sector schemes of the Government, namely:-

(i)Mahatma Gandhi National Rural Employment Guarantee Scheme

(ii)Indira Awas Yojana

(iii)Rajiv Gandhi Gramin Vidyutikaran Yojana

(iv)Jawaharlal Nehru National Urban Renewal Mission

(v)Accelerated Irrigation Benefits Programme

(vi)Accelerated Power Development Reform Programme