

**GOVERNMENT OF INDIA
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES
LOK SABHA**

UNSTARRED QUESTION NO:1641

ANSWERED ON:25.07.2002

JOINT VENTURE AGREEMENT WITH SUZUKI MOTOR CORPORATION

ASHOK NAMDEORAO MOHOL;RAMSHETH THAKUR

Will the Minister of HEAVY INDUSTRIES AND PUBLIC ENTERPRISES be pleased to state:

- (a) whether the Government have signed and revised Joint Venture Agreement with Suzuki Motor Corporation on May 15,2002;
- (b) if so, the details of the new agreement; and
- (c) the steps taken by the Government to protect workers` interest of Maruti Udyog Limited?

Answer

MINISTER OF STATE IN THE MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES (DR. VALLABHBHAI KATHIRIA)

(a) Yes, Sir.

(b) The highlights of the agreement are as under:-

1. Maruti shall have a rights issue of approximately Rs.400 crores consisting of 12,19,512 shares at an issue price of Rs.3280.The issue price for the purpose of rights issue was taken as the average of the three values arrived at by three independent valuers appointed by Government of India and Suzuki Motor Corpn. (SMC).
2. Suzuki shall pay the Government an amount of Rs.1000 crore as control premium.
3. The Revised Joint Venture Agreement (RJVA) incorporates that after completion of the rights issue Suzuki shall be entitled to nominate for appointment a majority of the Directors on the Board.
4. Government has several affirmative voting rights such as those against asset stripping and protection to employees etc.
5. Government shall divest its balance shares in the Indian markets in a public offer through price discovery by way of a book building process.
6. Suzuki has agreed to take such steps as deemed appropriate in order to enhance Maruti`s share value prior to the public offer. Suzuki shall endeavour to
 - (i) make MARUTI the source of some of SUZUKI`s models globally
 - (ii) assist MARUTI to access new export markets,
 - (iii) give discount to MARUTI on certain components as previously agreed to by SUZUKI,
 - (iv) set up a task force to explore possibilities for further reduction of costs in MARUTI,
 - (v) Promote Maruti and its products in the global market and
 - (vi) aggressively strengthen MARUTI`s manufacturing and technical capabilities so as to make MARUTI`s products internationally competitive in terms of quality and cost.
7. Suzuki has agreed to underwrite the first public issue of approximately 36 lakh shares held by Government of India.
8. The agreement also provides for `Put Options` to Government of India upto 30th April,2004.

The rights issue has been completed and SMC paid to Government the control premium of Rs.1000 crores.

(c) Article 2.3.1 (e) of the RJVA stipulates inter-alia that so long as the Government holds more than 25 per cent of the paid up Shares or until March 31,2003 (whichever occurs first), no action shall be taken by the Board or the share holders in general meeting without the same having been first approved by the Board with the affirmative vote of a Director nominated by the Government on the matter of employee retrenchments except in the ordinary course of business or pursuant to disciplinary action, all of which will be in accordance with contractual obligations and/or applicable law.