

**GOVERNMENT OF INDIA  
DISINVESTMENT  
LOK SABHA**

UNSTARRED QUESTION NO:1336  
ANSWERED ON:30.07.2003  
DISINVESTMENT OF NALCO  
SANAT KUMAR MANDAL

**Will the Minister of DISINVESTMENT be pleased to state:**

- (a) whether the Government have decided to disinvestment 30 percent of share of NALCO through IPO and American Depository receipts;
- (b) if so, the reasons therefor;
- (c) whether the employees' unions are opposed to any kind of disinvestment of NALCO;
- (d) if so, the reaction of the Government thereto; and
- (e) the steps taken or being taken by the Government to protect the interests of the employees?

**Answer**

MINISTER OF LAW AND JUSTICE AND MINISTER OF COMMERCE AND INDUSTRY (SHRI ARUN JAITLEY)

- (a) Yes, Sir. The Government had decided in September 27, 2001 to disinvest NALCO through a Public Offer in a mix of ADR/GDF and Domestic Issues to be followed in the second stage by sale of equity to a Strategic Partner after reserving upto 2% of the equity for NALCO employees and leaving 26% of the equity as residual equity to be held by the Government. The Government subsequently decided on July 11, 2002 that work on all the three stages of disinvestment (Domestic Offer, ADR and Strategic Sale) should commence simultaneously.
- (b) The decision to disinvest was taken by Government as a part of the strategy for disinvestment of non-strategic Public Sector Undertakings (PSUs) through reduction of Government shareholding to 26% or lower, on a case by case basis, irrespective of whether the PSU is profit-making or loss-making.
- (c) There has been opposition to the disinvestment of NALCO.
- (d) Because of the situation arising out of local opposition that disrupted due diligence, the disinvestment of NALCO is not being pursued at present.
- (e) Protection of the interests of employees is an integral part of the disinvestment policy. This is ensured by making appropriate provisions in the Share Holders Agreement entered into by the Government with the concerned Strategic Partner. Typical provisions related to protection of employees' interest are given in the Annexure.

**ANNEXURE**

Typical provisions related to employees' interest incorporated in the Shareholders Agreement are as follows:-

Recitals :

- Subject to the substantives clauses in this regard, the Parties envision that all Employees of the Company on the date hereof will continue in the employment of the Company.
- The SP recognizes that the government in relation to its employment policies follows certain principles for the benefit of the members of the Scheduled Caste/Schedules Tribes, physically handicapped persons and other socially disadvantaged categories of the society. The SP shall use its best efforts to cause the Company to provide adequate job opportunities for such persons. Further, in the even of any reduction in the strength of the employees of the Company, the SP shall use its best efforts to ensure that the physically handicapped persons, Scheduled Castes/Scheduled Tribes are retrenched at the end.

Substantive Clauses

- Notwithstanding anything to the contrary in this Article\_\_\_\_, the Government, shall at any time and at its sole discretion, have the option of selling shares from its shareholding, in the company, representing not more than\_\_\_of the share capital of the company existing as of date of this Agreement, to the employees, of the company ("employees sell share"). In the event that the Government exercises its option to sell part of its shares to the employees, the employees shall be issued fresh share certificates for the shares

transferred to the employees. The Shareholders agree that, upon the completion of transfer, the shares transferred to the employees pursuant to this sub-clause shall not be subject to any restrictions in this Agreement, whether by way of a voting arrangement or a right of first refusal.

- The SP covenants with the Government that

(a) notwithstanding anything to the contrary in this Agreement, it shall not retrench any of the Employees of the Company for a period of 1 (one) years from the Closing Date other than any dismissal or termination of Employees of the company from their employment in accordance with the applicable staff regulations and standing orders of the Company or applicable Laws;

(b) notwithstanding anything to the contrary in this Agreement, but subject to Sub-Clause (a) above, any restructuring of the Labour force of the Company shall be implemented in the manner recommended by the Board and in accordance with all applicable Laws;

(c) notwithstanding anything to the contrary in this Agreement, but subject to Sub-Clause (a) above, in the event of any reduction of the Strength of the company's Employees, the SP shall ensure that the Company offers its Employees an option to voluntarily retire on terms that are not, in any manner, less favourable than the VRS applicable before disinvestment.