

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:69
ANSWERED ON:09.07.2004
BALCO SALE AGREEMENT
Khan Shri Sunil

Will the Minister of FINANCE be pleased to state:

- (a) whether according to the BALCO sale agreement with Sterlite the remaining 49% of Government equity has to be handed over to Sterlite;
- (b) if so, the details thereof including the real asset value of BALCO and the terms of agreement thereon;
- (c) whether the central trade unions like AITUC, CITU and other representative bodies have asked the Government to review the sale agreement and to stop the proposal to sell the remaining 49% of Government equity in BALCO;
- (d) if so, the reaction of the Government thereto;
- (e) whether any investigations have been carried out into the BALCO sale; and
- (f) if so, the outcome thereof?

Answer

MINISTER OF FINANCE (SHRI P. CHIDAMBARAM)

(a) to (f): A statement is laid on the Table of the House.

Statement referred to in reply to Lok Sabha Starred Question No. 69 for 9.7.2004 regarding BALCO Sale Agreement by Shri Sunil Khan (POSITION NO.9).

(a) & (b) As per Clause 5.8 of the Shareholders Agreement (SHA) signed between Government of India, M/s Sterlite Industries (India) Limited (SIL) and Bharat Aluminum Company Limited (BALCO - the Company), upon the expiry of the third anniversary of the Closing Date (i.e. 2nd March, 2004), and at any time thereafter, the Strategic Partner (SP) shall have the option to issue a notice ('Call Notice') to the Government, thereby requiring the Government to sell to the SP within a period of 60 (sixty) days from the date of receipt of the Call Notice (the 'Call Notice'), all but not less than all the voting equity shares in the Company then held by the Government, (the 'Called Shares') and the Government in that event shall be under mandatory obligation to sell the Called Shares as aforesaid. The Parties shall cause the Fair Value of the Called Shares to be determined within 30 days of the date of receipt of the Call Notice.

As per the provisions of Schedule 6. 1 (a) in determining the Fair Value of the relevant voting equity shares of the Company, the independent valuer shall take into account various factors, including, but not limited to the following:

- (i) Discounted cash flow principles;
- (ii) Commonly used valuation multiples of comparable transactions;
- (iii) If the Company is listed, the current price of the voting equity shares of the Company as quoted on the stock exchange(s) where they are primarily traded;
- (iv) The Securities and Exchange Board of India's guidelines and principles of valuation, if applicable;
- (v) Whether such voting equity shares of the Company which are subject to the transaction of purchase and sale constitute minority block or a majority block of all of the issued and outstanding voting equity shares of the Company;
- (vi) Whether such equity shares have any contractual rights with respect to the Company attached to them and appropriate discount or premium shall be applied to its valuation on the basis thereof;

(vii) Discounted principles, if the selling party is insolvent, for assuming any restriction and obligations attached to the shares.

The valuation arrived at by the independent valuer is made as an expert and not as an umpire or arbitrator and shall be final and binding on the parties and no appeal shall lie from such valuation.

The Call notice dated 19th March, 2004 from SILL to acquire 10,81,06,005 equity shares (49% of the total) held by the Government of India in BALCO has been received.

(c) Bharat Aluminum Mazdoor Sangh (INTUC) has asked the Government to review the sale agreement and to stop the sale of the remaining 49% of Equity held by the Government in BALCO.

(d) The Call Option exercised by the Strategic Partner is under the provisions of the Shareholders Agreement entered into at the time of disinvestment which requires the Government to sell the called shares as per the procedure provided.

(e) No Sir, however, the Hon'ble Supreme Court in its judgement of 10th December, 2001 had upheld the policy and the procedure adopted by the Government for the disinvestment of BALCO.