

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:87  
ANSWERED ON:28.07.2006  
DISINVESTMENT OF PSUS  
Gamang Shri Giridhar;Thomas Shri P.C.

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

- (a) the details of terms of reference and constitution of the Disinvestment Commission;
- (b) the performance of the Commission since inception, year-wise;
- (c) whether changes have recently been made in the terms of reference of the Commission;
- (d) if so, the details thereof and the reasons therefor;
- (e) the details of PSUs recommended for disinvestment and those actually disinvested by the Government under different categories of disinvestment modalities alongwith resources mobilized year-wise;
- (f) the details of funds realized therefrom and utilized for each of social and industrial sectors, year-wise since inception;
- (g) the Government equity in the various PSUs being disinvested, PSU-wise;
- (h) whether any requests for putting on hold plans for disinvestments have been received; and
- (i) if so, the details thereof and reaction of the Government thereto ?

**Answer**

MINISTER OF FINANCE (P. CHIDAMBARAM)

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

Statement referred to in reply to parts (a) to

(i) of Lok Sabha Starred Question No.87 for 28.7.2006 by Shri P.C. Thomas and Shri Giridhar Gamang regarding disinvestment of PSUs

(a) & (b) : At present, there is no Disinvestment Commission. Earlier the Government had constituted a Public Sector Disinvestment Commission on 23rd August, 1996 initially for a period of three years. Subsequently, the Disinvestment Commission was reconstituted on 24th July 2001 initially for a period of two years. The extended term of the reconstituted Disinvestment Commission expired on 31st October, 2004. The terms of reference of the Commissions are given in Annexure-I. Regarding the performance of the Commission, a tabular statement indicating in brief its categorywise recommendations is given in Annexure-II.

(c) & (d) Do not arise, as no Disinvestment Commission exists now.

(e) The details of CPSEs recommended for disinvestment by the Disinvestment Commission are contained in Annexure-II. The details pertaining to sale of Government equity in Central Public Sector Enterprises (CPSEs) and other companies through the strategic mode and related transactions during the period 1999-2000 to 2004-2005 are given in Annexure-III. The details regarding sale of small portions of equity in CPSEs and other companies during the period 1997-98 to 2005-06 are given in Annexure-IV.

(f) The Government has constituted a `National Investment Fund` (NIF) in 2005-2006, into which the proceeds from disinvestment of Government equity in CPSEs would be channelised. 75% of the income of NIF will be used to finance selected social sector schemes, which promote education, health and employment. The residual 25% of the annual income of NIF will be used to meet the capital investment requirements of profitable and revivable CPSEs that yield adequate returns, in order to enlarge their capital base to finance expansion/diversification. There has been no accrual to NIF so far. Prior to constitution of NIF, the amounts realised from disinvestment in CPSEs were credited in the Consolidated Fund of India, which, inter alia, were also used to finance social and economic development programmes, rural development, poverty alleviation, CPSE restructuring and infrastructure development through the normal procedure of budgetary allocations.

- (g) to
- (i) On 6th July, 2006, the Government decided to keep all disinvestment decisions and proposals on hold, pending further review.

Annexure-I Annexure referred to in reply to parts (a) & (b) of Lok Sabha Starred Question No.87 for 28.7.2006 by Shri P.C. Thomas

and Shri Giridhar Gamang regarding disinvestment of PSUs

TERMS OF REFERENCE AND COMPOSITION OF DISINVESTMENT COMMISSION CONSTITUTED ON 23RD AUGUST 1996.

` No.11013/3/96-Admn. - In pursuance of the Common Minimum Programme of the United Front, Government hereby constitutes a Public Sector Disinvestment Commission, initially for a period of three years.

2. The composition of the Commission will be as follows: -

1. Shri G.V. Ramakrishna, Full-time Chairman

2. Shri Dipankar Basu, Part-time Member

3. Shri M.R.R. Nair, Part-time Member

4. Dr. Suresh Tendulkar, Part-time Member

5. Dr. D.M. Nanjundappa, Part-time Member

The Commission will have a full-time Secretary who will be appointed separately.

3. The broad terms of reference of the Commission are as follows: -

I To draw a comprehensive overall long-term disinvestment programme within 5 - 10 years for the PSUs referred to it by the Core Group.

II To determine the extent of disinvestment (total/partial indicating percentage) in each of the PSU.

III To prioritise the PSUs referred to it by the Core Group in terms of the overall disinvestment programme.

IV To recommend the preferred mode(s) of disinvestment (domestic capital markets/international capital markets/auction/private sale to identified investors/any other) for each of the identified PSUs.  
Also to suggest an appropriate mix of the various alternatives taking into account the market conditions.

V To recommend a mix between primary and secondary disinvestments taking into account

Government's objective, the relevant PSU's funding requirement and the market conditions.  
VI To supervise the overall sale process and take decisions on instrument, pricing, timing etc. as appropriate.

VII To select the financial advisers for the specified PSUs to facilitate the disinvestment process.

VIII To ensure that appropriate measures are taken during the disinvestment process to protect the interests of the affected employees including encouraging employees' participation in the sale process.

IX To monitor the progress of disinvestment process and take necessary measures and report periodically to the Government on such progress.

X To assist the Government to create public awareness of the Government's disinvestment policies and programmes with a view to developing a commitment by the people.

XI To give wide publicity to the disinvestment proposals so as to ensure larger public participation in the shareholding of the enterprises; and

XII To advise the Government on possible capital restructuring of the enterprises by marginal investments, if required, so as to ensure enhanced realisation through disinvestment.

4. The Disinvestment Commission will be an advisory body and the Government will take a final decision on the companies to be disinvested and mode of disinvestment on the basis of advice given by the Disinvestment Commission. The PSUs would implement the decision of the Government under the overall supervision of the Disinvestment Commission.

5. The Commission while advising the Government on the above matters will also take into consideration the interests of stakeholders, workers, consumers and others having a stake in the relevant public sector undertakings'.

The revised terms of reference of the Commission:

The revised terms of reference of the Commission notified on 12th January, 1998 were as under:

`No.11013/3/96-Admn. - In partial modifications of this Ministry`s Resolution No.11013/3/96-Admn. dated 23-8-96 constituting the Public Sector Disinvestment Commission, Paras 3, 4 and 5 thereof are deleted and substituted by the following :-

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(i) The Disinvestment Commission shall be an advisory body and its role and function would be to advise the Government on Disinvestment in those public sector units that are referred to it by the Government.

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(ii) The Commission shall also advise the Government on any other matter relating to disinvestment as may be specifically referred to it by the Government, and also carry out any other activities relating to disinvestment as may be assigned to it by the Government.

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(iii) In making its recommendations, the Commission will also take into consideration the interests of workers, employees and other stake holders, in the public sector unit(s).

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(iv) The final decision on the recommendations of the Disinvestment Commission vest with the Government`.

TERMS OF REFERENCE OF DISINVESTMENT COMMISSION RECONSTITUTED ON 24th JULY, 2001.

`F.No.11012/1/2000-Admn. - The Government hereby re-constitutes the Public Sector Disinvestment Commission, initially for a period of two years

2. The Commission will be headed by Chairman Dr. R.H. Patil. The other Members of the Commission will be appointed separately.

3. The broad terms of reference of the Commission are as follows:

(i) It shall be an advisory body and its role and function would be to advise the Government disinvestment on in those public sector units that are referred to it by the Government.

(ii) It shall also advise the Government on any other matter relating to disinvestment as may specifically be referred to it by the Government, and also carry out any such other activities relating to disinvestment as may be assigned to it by the Government.

(iii) In making its recommendations, it will also take into consideration the interest of workers, employees and other stakeholders, in the public sector unit(s).

(iv) The final decision on the recommendations of the Disinvestment Commission will vest with the Government`.

F.No.12012/1/2000-Admn. - In continuation of Resolution No.11012/1/2000-Admn. Dated the 24th July, 2001 reconstituting the Public Sector Disinvestment Commission, Government hereby appoints the following part-time members of the Commission with immediate effect.

1. Shri N.V. Iyer

2. Shri T.L. Sankar

3. Dr. V.V. Desai

4. Prof. K.S.R. Murthy`

ANNEXURE-III Annexure referred to in reply to part (e) of Lok Sabha Starred Question No.87 for 28.7.2006 by Shri P.C. Thomas and Shri Giridhar Gamang regarding disinvestment of PSUs

DETAILS OF STRATEGIC SALE AND RELATED TRANSACTIONS FROM 1999-2000 TO 2004-05