

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

UNSTARRED QUESTION NO:3516
ANSWERED ON:26.04.2007
INCENTIVES FOR PROMOTION OF PSE
Khairi Shri Chandrakant Bhaurao

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

- (a) whether the Government proposes to promote joint ventures, mergers and take-overs by the Public Sector Enterprises (PSEs)
- (b) if so, the details thereof and the reasons therefor;
- (c) the incentives proposed by the Government for such proposals; and
- (d) the other steps taken/proposed to be taken by the Government in this regard?

Answer

THE MINISTER OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES (SHRI SONTOSH MOHAN DEV)

(a) and (b) : The Government has already given greater financial autonomy to the Boards of Navratna and Miniratna Central Public Sector Enterprises (CPSEs) for making investments in joint ventures/subsidiaries within prescribed limits as per orders issued in this regard dated 5.8.2005. The Navratna CPSEs have been empowered to make equity investment for establishing financial joint ventures and wholly owned subsidiaries in India or abroad subject to the ceiling of 15% of the net worth of the CPSE in one project limited to Rs. 1000 crore. The overall ceiling on such investment in all projects put together shall be 30% of the net worth of the CPSE. The Miniratna Category I CPSEs have been empowered to make equity investment for establishing financial joint ventures and wholly owned subsidiaries in India subject to the ceiling of 15% of the net worth of the CPSE in one project limited to Rs. 500 crore. The overall ceiling on such investment in all projects put together shall be 30% of the net worth of the CPSE. The Miniratna Category II CPSEs have been empowered to make equity investment for establishing establish financial joint ventures and wholly owned subsidiaries in India subject to the ceiling of 15% of the net worth of the CPSE in one project limited to Rs. 250 crore. The overall ceiling on such investment in all projects put together shall be 30% of the net worth of the CPSE.

The Boards of Navratna and Miniratna CPSEs have also been delegated powers for mergers and acquisitions, subject to the conditions that

- (i) it should be as per the growth plan and in the core area of functioning of the PSE,
- (ii) conditions/limits would be as in the case of establishing joint ventures/subsidiaries, and
- (iii) the Cabinet Committee on Economic Affairs (CCEA) would be kept informed in case of investments abroad.