GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1776
ANSWERED ON:23.03.2012
DISINVESTMENT OF CPSES
Adhalrao Patil Shri Shivaji;Adsul Shri Anandrao Vithoba;Ahir Shri Hansraj Gangaram;Dharmshi Shri Babar Gajanan;Khaire Shri Chandrakant Bhaurao;Kumar Shri P.;Pakkirappa Shri S.;Ramasubbu Shri S.;Rao Shri Nama Nageswara;Rao Shri Sambasiva Rayapati;Singh Shri Ravneet;Singh Shri Uma Shanaker;Siricilla Shri Rajaiah;Yadav Shri Arun Subhashchandra;Yadav Shri Dharmendra

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has selected some Central Public Sector Enterprises (CPSEs) for disinvestment and fixed a target for revenue generation therefrom during the year 2011-12;

(b) if so, the details thereof and their percentage share of disinestment alongwith the options explored for such disinvestment;

(c) the progress made alongwith present status in regard to disinvestment of CPSEs and amount realised therefrom, against the revenue target fixed, CPSE-wise;

(d) the policy of the Government in regard to utilization of the revenue generated through disinvestment;

(e) whether the Government has failed to disinvest its stake in Oil and Natural Gas Corporation (ONGC) and Life Insurance Corporation of India has stepped in and rescued the floundering disinvestment process;

(f) if so, the details thereof alongwith the reaction of the Government thereto; and

(g) the further action plan of the Government on the disinvestment process after failure of disinvestment of ONGC to achieve the disinvestment target during remaining period 2011-12 and in the next financial year of 2012-13?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (S.S. PALANIMANICKAM)

(a) & (b) The Budget Estimates for disinvestment proceeds are Rs. 40,000 crore for the year 2011-12. Disinvestment is a continuous exercise. However, Government has already approved the following cases for disinvestment:

(i) Disinvestment of 5 per cent paid-up equity capital of Power Finance Corporation Limited out of Government of India shareholding in conjunction with issue of fresh equity of 15 per cent by the Company.

(ii) Disinvestment of 5 per cent paid-up equity capital of Oil and Natural Gas Corporation Limited out of Government of India shareholding.

(iii) Disinvestment of 5 per cent paid-up equity capital of Steel Authority of India Limited out of Government of India shareholding in conjunction with issue of fresh equity of 5 per cent by the Company.

(iv) Disinvestment of 10 per cent paid-up equity capital of Hindustan Copper Limited out of Government of India shareholding in conjunction with issue of fresh equity of 10 per cent by the Company.

(v) Disinvestment of 10 per cent paid-up equity capital of National Building and Construction Corporation Limited out of Government of India shareholding.

(vi) Disinvestment of 5 per cent paid-up equity capital of Bharat Heavy Electricals Limited out of Government of India shareholding.

The option for disinvestment approved was prospectus based Initial Public Offerings/Further Public Offerings. However, subsequent to notification of Offer for Sale of Shares by Promoters through the Stock Exchange Mechanism by Securities and Exchange Board of India (SEBI) on 01.02.2012, the Empowered Group of Ministers (EGoM) decided to follow this route for disinvestment of ONGC.

(c) The Further Public Offerings for disinvestment of :

(i) 5 per cent paid-up equity capital of Power Finance Corporation Limited in conjunction with issue of fresh equity of 15 per cent by the Company was completed in May 2011. The Government realised an amount of Rs. 1,144.55 crore.

(ii) 4.91 per cent paid-up equity capital of Oil and Natural Gas Corporation Limited through Offer for Sale of Shares by Promoters through the Stock Exchange Mechanism was completed in March 2012. The Government realised an amount of Rs.12,749.50 crore.

(d) USE OF DISINVESTMENT PROCEEDS:

The disinvestment proceeds are channelised into National Investment Fund and income from the Fund is used for investment in social sector projects and capital investment in selected profitable/ revivable Public Sector Enterprises in order to enlarge their capital base to finance expansion/ diversification. The corpus of the Fund is Rs. 1814.45 crore.

In view of the difficult economic situation caused by the global slowdown of 2008-09 and a severe drought that could adversely affect the 11th Plan growth performance, Government in November 2009 decided to give exemption for utilization of proceeds from disinvestment of CPSEs for a period of three years - from April 2009 to March 2012 i.e. disinvestment proceeds during this period would be available in full for investment in specific social sector schemes decided by Planning Commission/Department of Expenditure. The same has now been extended by another one year, i.e. from April 2012 to March 2013. However, the existing corpus of the NIF shall remain untouched and continue to be managed by the Fund Managers.

The disinvestment proceeds are being used for funding the capital expenditure under the social sector schemes of the Government, namely:-

(i) Mahatma Gandhi National Rural Employment Guarantee Scheme

(ii) Indira Awas Yojana

(iii) Rajiv Gandhi Gramin Vidyutikaran Yojana

(iv) Jawaharlal Nehru National Urban Renewal Mission

(v) Accelerated Irrigation Benefits Programme

(vi) Accelerated Power Development Reform Programme

(e) & (f) No, Sir.The Offer for Sale of Shares by Promoters through the Stock Exchange Mechanism in the case of disinvestment of Oil and Natural Gas Corporation of India was successful. Against a Floor Price of Rs. 290/- per share Government could realize an average price of Rs. 303.67 per share. A total of 3,982 bids were received for 54 crore shares, however, the number of valid bids came to only 2,763 for 42.04 crore shares against offer of 42.77 crore shares.

(g) In view of the facts mentioned above, the disinvestment process of ONGC was successful and satisfactory. For disinvestment all options available as per Securities and Exchange Board of India (SEBI) Rules and Regulations will be considered on case by case basis.