

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:7002
ANSWERED ON:18.05.2012
CROSS HOLDING AMONG PROFITABLE PSUS
Tewari Shri Manish

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to allow cross holding among profitable Public Sector Undertaking (PSUs), if so, the reasons therefor alongwith the level it is to be capped and its impact on PSUs reserves and other investment obligations;
- (b) whether certain PSUs are being persuaded to buy back Government stake, if so, the details of such PSUs and funds likely to be raised through this method;
- (c) whether the Government would continue to remain majority shareholder in such PSUs post such an arrangement;
- (d) if so, the details thereof;
- (e) whether such exclusive deal may raise corporate governance issue and harm other shareholders;and
- (f) if so, the details thereof alongwith reaction of the Government thereto?

Answer

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

(a) & (b) On 01st March, 2012, the Cabinet Committee on Economic Affairs decided to take the economic reforms forward and accordingly:

(i) provided Central Public Sector Enterprises (CPSEs) a third choice for investing their` surplus cash in the shares of other CPSEs through Department of Disinvestment, in addition to bank deposits and/or mutual funds which were allowed by Department of Public Enterprises O.M. No. DPE/11/47/2006-Fin. dated 31st August, 2007; and

(ii) enabled Department of Disinvestment to respond to the proposals of CPSEs, in case they decide to resort to buy back to restructure their capital base commensurate to the size of their operations on the pattern of private companies.

The above are only enabling provisions. The decisions are to be taken by the companies taking into consideration all aspects of the matter.

(c)&(d) Yes, Sir. In all cases it would be ensured that at least 51 per cent shareholding and the management control remains with the Government.

(e) & (f) No, Sir. Neither the corporate governance nor the interest of other shareholders would be compromised. These are enabling provisions providing level playing field to CPSEs that are available to private sector.