

## Public Enterprise Policy

### Privatisation

7.15 There is a consensus that the government should not be operating commercial enterprises. The reasons for this include scarcity of public resources, inefficient and loss making operations of existing public sector enterprises. Accordingly, as part of the liberalisation process, government has started reforms in public sector enterprises. The main elements of Government policy towards Public Sector Undertakings (PSUs) are:

- Bring down Government equity in all non-strategic PSUs to 26 per cent or lower, if necessary;
- Restructure and revive potentially viable PSUs;
- Close down PSUs which cannot be revived; and
- Fully protect the interest of workers.

7.16 Obstacles in the path of disinvestment have been resolved with the Supreme Court decision in the Bharat Aluminium Company Limited (BALCO) case, details of which are given as under. 51 per cent of Government held equity in BALCO was disinvested on March 2, 2001 in favour of Sterlite Industries (India) Limited for Rs. 551.50 crore. In protest, the workers went on a 67 day strike. Three writ petitions were filed against the BALCO disinvestment in the Delhi & Chhattisgarh High Courts which were transferred to the Supreme Court. The Hon'ble Supreme Court, in its order dated December 10, 2001, while validating BALCO disinvestment and dismissing the petitions, remarked, "Thus, apart from the fact that the policy of disinvestment cannot be questioned as such, the facts herein show that fair, just and equitable procedure has been followed in carrying out this disinvestment". This decision is expected to pave the way for accelerating the pace of disinvestment.

### Implementation of the announcements made in the Budget 2001-02

7.17 A target of realising an amount of Rs. 12,000 crore through disinvestment in Public

Sector Undertakings has been set in the Budget for the year 2001-2002. Out of this, an amount of Rs. 7,000 crore will be used for providing restructuring assistance to PSUs, safety net to workers and reduction of debt burden, and a sum of Rs. 5,000 crore will be used to provide additional budgetary support for the Plan primarily in the social and infrastructure sectors. The details of the disinvestment target and receipts since 1991-92 are given in the table 7.6. The amount realised through disinvestment and expected to be realised during the current year on the basis of decisions already taken is given in table 7.7.

7.18 The PSU's in which disinvestment is to be completed by March 31, 2002 are given in Box 7.2. Other PSUs, which are on the anvil for disinvestment are given in Box 7.3. The CPSUs returned to the Department of Heavy Industry/ Administrative Ministry as no bidders responded are given in Box 7.4.

7.19 Government has reconstituted the Disinvestment Commission in the month of July, 2001 with Dr. R.H. Patil as Chairman and Shri N.V. Iyer, Shri T.L. Shankar, Dr. V.V. Desai and Prof. K.S.R. Murthy as members. Government has decided to refer "non-strategic" PSUs and their subsidiaries, excluding IOC/ ONGC/ GAIL, to the Disinvestment Commission for their professional advice.

Year	Target (Rs crore)	Achievement (Rs crore)
1991-92	2,500	3,038
1992-93	2,500	1,913
1993-94	3,500	Nil
1994-95	4,000	4,843
1995-96	7,000	168
1996-97	5,000	380
1997-98	4,800	910
1998-99	5,000	5,371
1999-2000	10,000	1,829
2000-01	10,000	1,869
2001-02	12,000	*

Note :  
\*Achievement figures given in Table 7.7.

**TABLE 7.7**  
**Disinvestment Proceeds during 2001-02**

Name of PSUs	Percentage of equity disinvested	Proceeds realised/ to be realised
	(per cent)	(Rs. crore)
1. HTL Limited.	74	55
2. CMC Limited.	51	152
3. India Tourism Development Corporation. – 9 Hotels	100 in 8 hotels Long- term lease – cum management contract in 1 hotel.	181
4. Hotel Corporation of India Limited. - 3 Hotels **	100	** 243
5. IBP Limited.	34	1,154
6. Videsh Sanchar Nigam Limited. (Transfer of Cash Reserves) ***	25	*** 3,689
7. State Trading Corporation of India Limited. (Transfer of cash reserves)	-	* 40
8. Minerals and Metals Trading Corporation of India Limited. (Transfer of cash reserves)	-	* 60
<b>Total #</b>		<b>5,573</b>
Notes:		
* Decision on withdrawal of reserves taken. Action being taken to implement the decision.		
** Proceeds to go to Air India.		
*** Includes Rs. 2,250 crore as dividend/ special dividend and dividend tax.		
# Total may not tally because of rounding off.		

**BOX 7.2**

**PSUs in which disinvestment is to be completed by March 31,2002**

1. Maruti Udyog Limited.
2. Hindustan Zinc Limited. (HZL)
3. Indian Petrochemicals Corporation Limited. (IPCL)
4. Paradeep Phosphates Limited. (PPL)
5. Bharat Heavy Plates and Vessels Limited. (BHPV) @
6. NEPA Limited. @
7. Instrumentation Control Valves Limited. (ICVL) @
8. Jessop and Company Limited.
9. India Tourism Development Corporation. (ITDC)
10. Hotel Corporation of India Limited. (HCI)

@ Would be implemented after State Governments take decisions on land issues.

**BOX 7.3**

**Other PSUs which are on the anvil for disinvestment**

1. Air India Limited. (AI)
2. Engineering Project (India) Limited. (EPIL)
3. Hindustan Cables Limited. (HCL)
4. Hindustan Copper Limited. (HCL)
5. Hindustan Organic Chemicals Limited. (HOCL)
6. Hindustan Salts Limited.
7. Indian Airlines Limited. (IA)
8. Madras Fertilisers Limited. (MFL)
9. Minerals and Metals Trading Corporation of India Limited. (MMTC)
10. National Fertilisers Limited. (NFL)
11. Shipping Corporation of India Limited. (SCI)
12. Sponge Iron India Limited. (SIIL)
13. State Trading Corporation of India Limited. (STC)
14. MECON Limited.
15. National Aluminium Company Limited. (NALCO)
16. Tungabhadra Steel Products Limited. (TSPL)
17. Burn Standard Company Limited.
18. Braithwaite & Company. Limited.

#### **BOX 7.4**

**CPSUs returned to the Department of Heavy Industry/Administrative Ministry as no bidders responded**

1. Reyrolle Burn Limited.
2. Bharat Brakes and Valves Limited.
3. Scooters India Limited.
4. Bharat Pumps and Compressors Limited.
5. Praga Tools.
6. Bharat Leather Corporation.

7.20 The Disinvestment Commission in its 13<sup>th</sup> Report, submitted in January, 2002, has made recommendations in respect of the following four public sector undertakings :—

- (i) Neyveli Lignite Corporation Limited (NLC)
- (ii) Manganese Ore (India) Limited (MOIL)
- (iii) Rail India Technical & Economic Services Limited (RITES)

(iv) Projects & Equipment Corporation Limited (PEC)

The recommendations are being examined by the Government.

#### **Performance of Selected Public Sector Undertakings**

7.21 In 2000-2001, 107 PSUs signed Memoranda of Understandings (MOUs). On the basis of provisional data, provided by the Department of Public Enterprises, out of 107 PSUs, 49 PSUs were rated excellent, 26 very good, 12 good, 12 fair, and 7 poor. BALCO has been excluded from evaluation as it ceased to be a PSU during the year. In 2000-2001, the aggregate gross margin (provisional) of MOU signing PSUs was 15.5 per cent higher than that of 1999-2000 and 12.8 per cent higher than the target set for them. Select profitability and performance indicators of CPSUs are given in Table 7.8.