

Privatisation

7.55 The privatisation process began in 1991-92 with the sale of minority stakes in some PSUs. From 1999-2000 onwards, the focus shifted to strategic sales. In the year 2003-04, disinvestment through public sale of shares was predominant. Table 7.21 compares the actual disinvestments proceeds with the annual target.

7.56 Table 7.22 summarizes the transactions in 2003-04, when realization from disinvestments was Rs. 15,547 crore, exceeding the revised budget estimate of Rs.14,500 crore for the year. The major portion of receipts in the year was through "Offers for Sale." The overwhelming response from institutional and retail investors witnessed in July, 2003 in the case of Maruti Udyog Ltd. continued in the subsequent six public Sale of shares. Over 16 lakh retail investors were allotted shares in the last six offerings and the level of over subscription ranged from 2.8 times in the case of IBP Ltd. to 18.11 times in the case of DCIL. Even large issues like IPCL and GAIL were subscribed 4.8 and 9.1 times, respectively. ONGC, which was the largest issue, was subscribed 5.88 times.

Table 7.21 : Disinvestment in public sector undertakings

Year	Target (Rs. crore)	Proceeds (Rs. crore)
1991-92	2,500	3038
1992-93	2,500	1913
1993-94	3,500	-
1994-95	4,000	4843
1995-96	7,000	362
1996-97	5,000	380
1997-98	4,800	902
1998-99	5,000	5371
1999-00	10,000	1860
2000-01	10,000	1871
2001-02	12,000	5632#
2002-03	12,000	3348
2003-04	14,500	15,547

Figures inclusive of amount realized by way of control premium, dividend/dividend tax and transfer of surplus cash reserves prior to disinvestment etc.
Source : Ministry of Disinvestment.

Table 7.22 : Disinvestment proceeds during 2003-04

Sl. No.	Name	Type of Sale	Percentage of equity disinvested	Proceeds Realisation/to be realised (Rs. crore)
1	Maruti Udyog Ltd.	Offer for sale	27.5	993.34
2	Jessop & Co. Ltd.*	Strategic Sale	72.0	18.18
3	HZL**	Call option	18.9	323.88
4	ICIL	Limited Auction	9.2	77.10
5	IBP	Offer for Sale	26.0	350.66
6	IPCL	Offer for Sale	28.9	1202.85
7	CMC	Offer for Sale	26.3	190.44
8	DCIL	Offer for Sale	20.0	221.20
9	GAIL	Offer for Sale	10.0	1627.36
10	ONGC	Offer for Sale	9.9	10542.40
Total				15547.42

* Amount has been received by Bharat Bhari Udyog Nigam Ltd., the holding company of Jessop & Co. Ltd.
** Excise of Call Option by the Strategic Partner.
Source : Ministry of Disinvestment

Government realized Rs. 10,542 crore, making it the biggest offering so far in the Indian capital market. About Rs. 14,135 crore was realised through these six public sale of shares in a short period during the last quarter of the financial year, demonstrating the depth of the Indian capital market.

7.57 The Supreme Court, in its judgement dated September 16, 2003, in the case of disinvestment in Hindustan Petroleum Corporation Ltd. (HPCL) and Bharat Petroleum Corporation Ltd. (BPCL) restrained the Central Government from proceeding with disinvestment that would have resulted in HPCL and BPCL ceasing to be Government companies without appropriately amending the statutes concerned. Several cases were subsequently filed challenging strategic sale in other PSUs in various high courts. Government has petitioned the Supreme Court to transfer all these cases to itself for a definitive verdict on the common issues.

7.58 As per the Common Minimum Programme (CMP), the United Progressive Alliance (UPA) Government is committed to a strong and effective public sector whose social objectives are met by its commercial functioning. But for this, there is need for selectivity and a strategic focus. The UPA is pledged to devolve full managerial and commercial autonomy to successful, profit-making companies operating in a competitive environment. Generally profit-making companies will not be privatized.

7.59 All privatizations will be considered on a transparent and consultative case-by-case basis. The UPA will retain existing "navaratna" companies in the public sector while these companies raise resources from the capital market. While every effort will be made to modernize and restructure sick public sector companies and revive sick industry, chronically loss-making companies will either be sold-off, or closed, after all workers have got their legitimate dues and compensation. The UPA will induct private industry to turn-around companies that have potential for revival.