

Disinvestment

7.63 The disinvestment process, which began in 1991-92 with the sale of minority stakes in some public sector undertakings (PSU's), shifted focus to strategic sales during 1999-2000 to 2003-04 (Table 7.22).

7.64 The new policy in this regard is that the Government is committed to a strong and effective public sector whose social objectives are met by its commercial functioning. For this, there is a need for selectivity and strategic focus. The Government is committed to devolve full managerial and commercial autonomy to successful, profit-making companies operating in a competitive environment. Generally, profit-making companies will not be privatised.

7.65 As per the National Common Minimum Programme (NCMP), all privatisations will be considered on a transparent and consultative case-by-case basis. The Government will retain existing 'navaratna' companies in the public sector, while these companies would be encouraged to 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 be either sold-off or closed, after all workers get their legitimate dues and compensation. The Government will take the help of private industry to turn-around companies that have potential for revival.

7.66 The Government has decided to establish a Board for Reconstruction of Public Sector Enterprises (BRPSE) to advise the Government on ways and means for strengthening public sector enterprises (PSEs) in general and to make them more autonomous and professional. The Board would consider reconstructing – financial organisational and business – of central PSEs and suggests ways and means for funding such schemes. The Board would also advise the Government on disinvestment/closure/sale in respect of chronically sick/loss making companies, which cannot be revived.

Year	Target	Achievement
1993-94	3,500	-
1991-92	2,500	3038
1992-93	2,500	1913
1993-94	3,500	-
1994-95	4,000	4,843
1995-96	7,000	362
1996-97	5,000	380
1997-98	4,800	902
1998-99	5,000	5,371
1999-00	10,000	1,860
2000-01	10,000	1,871
2001-02	12,000	# 5,632
2002-03	12,000	3,348
2003-04	14,500	15,547
2004-05	4,000	@ 2,765

Figures inclusive of amount realised by way of control premium, dividend/dividend tax transfer of surplus cash reserves prior to disinvestment etc.
 @ Up to December 2004.
 Source : Department of Disinvestment, Ministry of Finance

7.67 The Government has approved the constitution of a National Investment Fund comprising of proceeds from disinvestment of public sector units. The broad objective of the fund will be to make investments in social sector projects and capital investment in selected profitable or revivable PSEs that yield adequate returns, in order to enlarge their capital base to finance expansion/diversification. The fund will come into effect from April 1, 2005.

7.68 The Government has also given 'in principle' approval for listing of currently unlisted profitable PSEs each with a net worth in excess of Rs. 200 crore, through an initial public offer (IPO), either in conjunction with a fresh equity issue by the PSE concerned or independently by the Government on a case by case basis, subject to the residual equity of the Government remaining at least 51 per cent and the Government retaining management control of the PSE.