

**GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA**

UNSTARRED QUESTION NO:1288
ANSWERED ON:23.07.2002
DISINVESTMENT IN SPONGE IRON INDIA LTD.
RENUKA CHOWDHURY

Will the Minister of DISINVESTMENT be pleased to state:

- (a) whether his Ministry is consulting the Ministry of Law and the Attorney General to solicit expert opinion over the issue of disinvestment of the Sponge Iron India Limited, Khammam;
- (b) if so, the observations of the Law Ministry and the Attorney General in this regard; and
- (c) the steps / measures the Government propose to take to protect the interests of the employees of this PSU after privatisation?

Answer

MINISTER OF DISINVESTMENT AND MINISTER OF DEVELOPMENT OF NORTH EASTERN REGION (SHRI ARUN SHOURIE)

(a)&(b) Yes, Sir. Department of Legal Affairs and the Attorney General have been consulted in this regard. In view of the declaration of law by the Supreme Court that change of management or of shareholding does not imply any transfer of land from one company to another, it has been opined by the Attorney General that change in shareholding pattern of Sponge Iron India Ltd., in favour of private entity, will not amount to a transfer of land in violation of Andhra Pradesh Scheduled Areas Land Transfer Regulations, 1959 (APSALTR).

(c) Protection of the interests of the employees is an integral part of the disinvestment policy. This is ensured by making appropriate provisions in the Shareholders / Share Purchase Agreement entered with concerned Strategic Buyer. A copy of the provisions in the transaction document signed at the time of disinvestment in Hindustan Zinc Ltd. for protecting the interest of employees is given in Annexure.

ANNEXURE

Annexure referred to in reply to part (c) of Unstarred Question No.1288 for answer on 23-7-2002 in the Lok Sabha by Shrimati Renuka Chowdhury.

The relevant provisions incorporated in the Shareholders Agreement for disinvestment in Hindustan Zinc Ltd. are as under:-

Recitals:

G. Subject to Clause 6.1.2 (b) and (c) the Parties envision that all Employees of the Company on the date hereof will continue in the employment of the Company.

H. The SP recognises that the government in relation to its employment policies follows certain principles for the benefit of the members of the Scheduled Caste / Schedules Tribes, physically handicapped persons and other socially disadvantaged categories of the society. The SP shall use its best efforts to cause the Company to provide adequate job opportunities for such persons. Further, in the event of any reduction in the strength of the employees of the Company, the SP shall use its best efforts to ensure that the physically handicapped persons, Scheduled Castes/Scheduled Tribes are retrenched at the end.

Article 5.4

(i): Notwithstanding anything to the contrary in this Article 5, the Government, shall at any time and at its sole discretion, have the option of selling shares from its shareholding in the company, representing not more than 5% of the share capital of the company existing as of date of this Agreement, to the employees of the Company ('employees sell share'). In the event that the Government exercises its option to sell part of its shares to the employees, the employees shall be issued fresh share certificates for the shares transferred to the employees, without the endorsement of the legend provided in Sub-Clause 5.3 (b). The Shareholders agree that, upon the completion of transfer, the shares transferred to the employees pursuant to this sub-clause

(i) shall not be subject to any restrictions in this Agreement, whether by way of a voting arrangement or a right of first refusal.

Article 6.1.2

The SP covenants with the Government that

(a) notwithstanding anything to the contrary in this Agreement, it shall not retrench any of the Employees of the Company for a period of 1 (one) year from the Closing Date other than any dismissal or termination of Employees of the Company from their employment in accordance with the applicable staff regulations and standing orders of the Company or applicable Laws;

(b) notwithstanding anything to the contrary in this Agreement, but subject to Sub-Clause (a) above, any restructuring of the labour force of the Company shall be implemented in the manner recommended by the Board and in accordance with all applicable Laws;

(c) notwithstanding anything to the contrary in this Agreement, but subject to Sub-Clause (a) above, in the event of any reduction of the strength of the Company's Employees, the SP shall ensure that the Company offers its Employees an option to voluntarily retire on terms that are not, in any manner, less favourable than the Maximum Benefits, if any;