

**GOVERNMENT OF INDIA  
DISINVESTMENT  
LOK SABHA**

STARRED QUESTION NO:111  
ANSWERED ON:26.11.2002  
EVALUATION OF PSUs  
RAMANAND SINGH;VARKALA RADHAKRISHNAN

**Will the Minister of DISINVESTMENT be pleased to state:**

- (a) the number of PSUs sold to foreign buyers during the last three years;
- (b) whether the Government are aware of the news-items appearing in various newspapers in regard to the undervaluation of PSUs selected for disinvestment;
- (c) if so, the names of PSUs reported undervalued and the reaction of the Government thereto;
- (d) the details of the valuation methods and assets valuers selected by the Government for the purpose of valuation of Public Sector Undertakings selected for disinvestment during the last three years;
- (e) whether the Government are selecting merchant banks as asset valuer and whether the Government have gained any advantage by selecting such banks; and
- (f) if so, the details thereof?

**Answer**

THE MINISTER OF DISINVESTMENT, MINISTER OF DEVELOPMENT OF NORTH EASTERN REGION AND MINISTER OF COMMERCE AND INDUSTRY (SHRI ARUN SHOURIE):

(a) As they were the highest bidders for Lodhi Hotel, New Delhi, it has been sold to consortium of foreign companies, viz., M/s. Silverlink Holdings Ltd., Flash Rise Ltd., Sharp Point Ltd., First Circle Holdings Pvt. Ltd. and Paranal Finance S.A. of British Virgin Island. Similarly, Paradeep Phosphate Ltd. to a Joint Venture of an Indian company M/s Zuari Industries Ltd. and a Moroccan Company M/s Maroc Phosphore S.A. All other PSUs have been sold to Indian companies.

(b) Yes, Sir.

(c) Articles have appeared in newspapers alleging undervaluation of shares of BALCO, CMC/JPL and Centaur Hotel (Mumbai). Government does not agree with the views expressed in these articles. For valuation several assumptions are made to value assets, liabilities and future business prospects of the company being disinvested. It is used to arrive at a reserve price. The actual sale price is determined through a process of competitive bidding, which allows the market determined valuation, at that point in time, to be revealed, including the control premium, realisable from the bidders, for transfer of management control in the case of strategic sale. Subsequent changes in the market price of shares of disinvested PSUs reflect, among other things, future prospects of the company under the new management.

(d) In keeping with the best market practices, the following four methodologies are used for the valuation of PSUs:-

1. Discounted Cash Flow Method
2. Balance Sheet Method
3. Transaction Multiple Method
4. Asset Valuation Method.

The first three methodologies are generally used for valuation of a going concern. The last methodology is more relevant for evaluation of assets in case of liquidation of a company. The reserve price is determined by an Inter Ministerial Valuation Committee, on the basis of the advice of the Advisors, appointed for the purpose, and the results obtained using the four separate valuation methodologies.

The names of asset valuers selected for valuing the assets of PSUs disinvested through strategic sale since 1999-2000 are as follows:-

**STATEMENT**

Centaur Hotel, Rajgir.

S.No	PSU	Asset Valuer
1	2	3
1.	Modern Food Industries Ltd.	M/s A.P. Saxena & Associates, New Delhi
2.	Bharat Aluminium Co.Ltd (BALCO)	Shri P.V. Rao, New Delhi
3.	CMC Ltd.	M/s R.B. Shah & Associates, Jaipur
4.	HTL Ltd.	M/s P.T. Shanmugam, Chennai
5.	Lagan Jute Machinery Co.Ltd.	M/s. A.F. Ferguson & Co. & NIDC, New Delhi
6.	IBP Ltd.	M/s A.P. Saxena & Associates (New Delhi), M/s N.K. Chakraborty (Kolkata), M/s Godbote & Associates (Mumbai), M/s M.M. Kulkarni (Nasik) and M/s Meticulous Consultants (Chennai).
7.	Videsh Sanchar Nigam Ltd.	Consortium of M/s Price Waterhouse Coopers Ltd., M/s Dalai Consultants and Engineers Ltd.,Mumbai
8.	Paradeep Phosphates Ltd.	M/s Rajesh Burman & Associates, New Delhi
9.	Jessop & Co.	M/s Devcon Engineers & Valuers, Kolkata
10.	Hindustan Zinc Ltd.	M/s R.B. Shah & Associates, Jaipur
11.	Indian Petrochemicals Corporation Ltd.	M/s Delloite Huskins & Sells, Mumbai
12.	19 hotels of ITDC	M/s Kanti Karamsey & Co., Mumbai
13.	Hotel Corporation of India Ltd. Centaur Hotel Airport,Mumbai and Centaur Hotel Juhu,Mumbai	M/s KantiKaramsey&Co.,Mumbai
14.	Hotel Corporation of India Ltd.	M/s R.S. Minocha & Associates, New Delhi

The sale agreement not yet been signed in view of stay order granted by the Calcutta High Court.

(e) No, Sir,

(f) Does not arise.