

**GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA**

UNSTARRED QUESTION NO:1330
ANSWERED ON:26.02.2003
DISINVESTMENT OF FERTILIZERS PSUS
NAWAL KISHORE RAI;SUSHIL KUMAR INDORA

Will the Minister of DISINVESTMENT be pleased to state:

- (a) whether the Government have a proposal to privatise some fertilizer plants in the country;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether it has been decided to sell 51 per cent shares of the National Fertilizer Limited;
- (d) if so, whether the NFL has been evaluated by any institute for the above sale;
- (e) if so, the amount spent on this evaluation;
- (f) the institute which made the evaluation and when; and
- (g) the arrangement made to safeguard the interests of the serving employees after the disinvestment in the National Fertilizer Limited?

Answer

THE MINISTER OF COMMUNICATIONS AND INFORMATION TECHNOLOGY AND MINISTER OF DISINVESTMENT (MR. N. RAMANATHAN SHOURIE):

(a) The Central Public Sector Undertakings (CPSUs) in the Fertilizer sector, which have been identified for disinvestment by the Disinvestment Commission, are (i) Paradeep Phosphates Limited (PPL); (ii) National Fertilizers Limited (NFL); (iii) Fertilisers & Chemicals Travancore Limited (FACT); (iv) Madras Fertilizers Limited (MFL); and (v) Rashtriya Chemicals & Fertilizers Limited (RCF).

(b) Disinvestment in CPSUs is being undertaken as per the declared policy of the Government to bring down its equity in non-strategic CPSUs to 26% or below in generality of cases. The non-strategic CPSUs are those, which are not

(C) Yes, Sir.

(d) to (f) Business valuation of NFL has not yet been carried out. The exercise would be undertaken by the . transaction Advisors viz., M/s Rabo India Finance Pvt. Ltd. at appropriate time and would be submitted to the Government at the time of receiving financial bids. For the purpose of disinvestment in any Central Public Sector Undertaking (CPSU), its business valuation on going-concern basis is done in accordance with the 4 prescribed valuation methodologies, i.e., Discounted Cash Flow method, Balance Sheet method, Transaction Multiple method and Asset Valuation method for arriving at a range of valuation figures in order to determine the indicative benchmark or reserve price. The asset valuation is done by an independent Asset in the areas of arms & ammunitions and allied items of defence equipment, defence air crafts and warships, atomic energy (except in the areas related to the generation of nuclear power and applications of radiations and radio-isotopes to agriculture, medicine and non-strategic industries) and railway transport. This policy is applicable to profit-making as well as loss-making CPSUs. In accordance with the recommendations of the Disinvestment Commission, the Government has decided to disinvest its equity in the above-mentioned CPSUs as they operate in the non-strategic sector. Disinvestment in PPL has been completed during the year 2001-02. Disinvestment process in respect of NFL and FACT is in progress; process in respect of MFL is in the initial stage and for RCF, the process is yet to commence. The disinvestment structure in these PSUs is as under:-

STATEMENT

S. No.	Name of PSU	GOI equity	Disinvestment structure
1.	Paradeep Phosphates Limited	100% (before disinvestment)	Strategic sale- 74% (already disinvested)
2.	National Fertilizers Limited	97.64%	Strategic sale -51 % Offer to Employees at

concessional rate -2%

3. Fertilisers & Chemicals Travancore Limited 97.38% Strategic sale - 51 %
Offer to Employees at
concessional rate- 2%
4. Madras Fertilizers Limited 59.50% To bring down Govt.
equity to 26% through
strategic sale.
5. Rashtriya Chemicals & Fertilizers Limited 92.50% (Proposed) Strategic
sale -51 % Offer to
Employees at concessional
rate -2%

Valuer appointed by the Government. The transaction Advisors undertake the business valuation exercise with further improvements in the value arrived under DCF and Asset Valuation methods as per approved guidelines.

(g) The process of finalising the Shareholders Agreement to be executed with the prospective Strategic Partner is on. Provisions for adequately protecting the interest of employees would be kept in the Agreement.