

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2437
ANSWERED ON:08.12.2006
PURCHASE OF SHARES OF PRIVATE COMPANIES
Tripathi Shri Chandramani

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government Financial Institutions purchase shares of private companies;
- (b) if so, the criteria thereof;
- (c) whether the Government Financial Institutions have purchased shares of some companies whose `book value` was very low;
- (d) if so, the reasons therefor and loss incurred, if any;
- (e) whether the Government proposes to inquire into cases where shares have been purchased in this manner; and
- (f) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

- (a) and (b): Government Financial Institutions acquire shares of private companies. The criteria for such acquisition are set by the Board of Directors of each Institution. Generally, the shares are purchased as a part of overall project funding, or as a part of need based restructuring.
- (c) and (d): Shares with low book value are acquired by way of conversion of liabilities and quantification of loss is not possible owing to many such companies being unlisted.
- (e) and (f): No, Sir. These are commercial decision of Financial Institutions, powers for which are vested with the Board of Directors.