

Letters of Intent issued to State Corporations

3037. SHRI CHIMANBHAI MEHTA:
SHRI RAMSINGBHAI PATA
LIYABHAI RATHVAKOLI:

Will the Minister of INDUSTRY be pleased to state:

(a) whether the letters of intent issued in the names of State Corporations could be transferred by concerned Corporations to private sector companies;

(b) whether MRTP Companies have acquired dominant voice in the companies floated on the basis of the letters of intent issued to State Government Corporations in violation of MRTP Act; if so, the details thereof; and

(c) what are the guidelines for joint sector or associated sector companies floated on the basis of letters of intent issued to State Governments?

THE MINISTER OF STATE IN THE DEPARTMENT OF INDUSTRIAL DEVELOPMENT IN THE MINISTRY OF INDUSTRY (SHRI M ARUNACHALAM): (a) While State Industrial Development Corporations are not allowed to transfer letters of intent issued in their names to private sector companies, they are allowed to associate private capital in accordance with prescribed guidelines and set up joint sector companies to implement the projects.

(b) and (c) Association of MRTP companies in the joint sector companies are allowed as per guidelines, a copy of which is reproduced in the attached Statement. (See below). Adequate safeguard have been provided in the guidelines so as to ensure that the provisions of MRTP Act are not violated.

Statement

Guidelines For Joint Sector Projects

SHARE HOLDING PATTERN

The pattern of shareholding in joint sector projects shall be as follows:—

(A) State Industrial Development Corporation. Minimum 26%

(B) Co-promoters

(i) Other than MRTP/FERA Companies.

Shareholding of a private promoter or a business group shall be less than that of the SIDC. Where it is considered necessary to allow a higher share, prior approval of the Central Govt. will be obtained.

(ii) MRTP/FERA Companies

Association of a MRTP/FERA Company will be subject to the following conditions:—

(a) The shareholding shall be less than that of the SIDC and in no case exceed 25 per cent.

(b) Prior approval of the Central Government will be necessary for such association and shall ordinarily be confined to the industries included in Appendix-I to the Deptt. of Industrial De-

velopment Pres Note of 2nd February, 1973 as amended from time to time.

(c) If such association is sought in a Non-appendix-I industry, it will be subject to such export obligation as may be prescribed in the Government policy for the time being in force.

(d) The approval of the Central Government mentioned in (b) above will not constitute approval under the FERA/MRTP Act which will have to be obtained separately.

Management

In the management of a joint sector project, the Chairman of the project will be a nominee of the State Government. The Managing Director will be selected by the Board of Directors of the joint sector company. In making such selection, it must be ensured that the Managing Director has adequate professional experience and competence.

Dis-investment

With a view to allow rotation of funds, the SIDCs can dis-invest their holdings in joint sector companies promoted by them, subject to the following:—

(i) As it is important that the SIDC should be in management control of the joint sector company till the project is completed, sale of shares should ordinarily be made only after commencement of commercial production

(ii) In making dis-investment, first preference should be given to the public financial institutions or the public. There will be no objection to the acquisition of dis-invested shares by the co-promoter, not being a MRTP/FERA Company.

(iii) Where the co-promoter is a MRTP/FERA company and it wishes to acquire the shares dis-invested by the SIDC prior approval of the Central Government (i.e. the administrative Ministry and Deptt of Company Affairs) shall be obtained

(iv) If for compelling reasons, the SIDC wishes to dis-invest its holding even where the Letter of Intent has not been implemented and the project is still to be established, it can do subject to the condition that it retains a minimum equity holding of 10 per cent. The SIDC shall also retain one Director on the Board of Directors of the company so

as to ensure early implementation of the project.

(v) In respect of dis-investments of the nature mentioned in the foregoing clause, i.e. (iv) above, no single co-promoter or business group will be allowed to hold more than its original holding in the equity capital of the company and no dis-investment shall be made in favour of a MRTP/FERA company. This will also not apply to cases where the co-promoter is a MRTP/FERA company. The conditions in the Letter of Intent will be suitably amended on receipt of a formal application from the SIDC.

(vi) Where the shareholding of a SIDC is reduced to a level below 26 per cent through dis-investments, it will no longer be treated as a joint sector project. It would have the same status as any other project in the private sector.

Complaint against M/s. Bombay Suburban Electric Supply Ltd.

3038. SHRI PRAMOD MAHAJAN: Will the Minister of INDUSTRY be pleased to state:

(a) whether it is a fact that P. D. Heda & Co. Chartered Accountants have written to the Central Government complaining against M/s. Bombay Suburban Electric Supply; and

(b) if so, what are the details in this regard and action taken by Government thereon?

THE MINISTER OF STATE IN THE DEPARTMENT OF INDUSTRIAL DEVELOPMENT IN THE MINISTRY OF INDUSTRY (SHRI M. ARUNA-CHALAM): (a) A letter complaining against M/s. Bombay Suburban Electric Supply Limited was received from one Shri P. D. Heda of Bombay.

(b) The allegations relate to the conduct of Shri K. V. Chaubal, the Managing Director of the Company. It has *inter-alia* been alleged that Shri K. V. Chaubal is not a fit and