CHAPTER VIII

Disinvestment in CPSEs

8.1 Disinvestment Policy of Government of India

The current disinvestment policy was brought out on 05 November 2009. The salient features of Disinvestment Policy of the Government of India are:

(i) Public Sector Undertakings are the wealth of the nation and to ensure that this wealth rests in the hands of the people, promote public ownership of CPSEs;

(ii) While pursuing disinvestment through minority stake sale in listed CPSEs, the Government will retain majority shareholding i.e. at least 51 *per cent* of the shareholding and management control of the Public Sector Undertakings;

(iii) Strategic disinvestment by way of sale of substantial portion of Government shareholding in identified CPSEs upto 50 *per cent* or more, along with transfer of management control.

On 5 November 2009, Government approved the following action plan for disinvestment in profit-making government companies:

(a) Disinvestment through minority stake sale:

- Securities Contracts (Regulation) (Amendment) Rules 2010, envisaged (June 2010) minimum Public Shareholding of 10 per cent in listed CPSEs. This limit was revised to 25 *per cent* in August 2014.
- Unlisted CPSEs with no accumulated losses and having earned net profit in three preceding consecutive years are to be listed.
- Follow-on public offers would be considered taking into consideration the needs for capital investment of CPSE, on a case by case basis, and Government could simultaneously or independently offer a portion of its equity shareholding.
- All cases of disinvestment are to be decided on a case by case basis.
- The Department of Investment and Public Asset Management (DIPAM) is to identify CPSEs in consultation with respective administrative Ministries and submit proposal to Government in cases requiring Offer for Sale of Government equity.

(b) Strategic Disinvestment

- To be undertaken through a consultation process among different Ministries/Departments, including NITI Aayog.
- NITI Aayog to identify CPSEs for strategic disinvestment and advise on the mode of sale, percentage of shares to be sold and method for valuation of the CPSE.
- The Core Group of Secretaries on Disinvestment (CGD) to consider the recommendations of NITI Aayog to facilitate a decision by the Cabinet Committee on Economic Affairs (CCEA) on strategic disinvestment and to supervise/monitor the process of implementation.

8.2 Budget Announcements for the Year 2017-18

The Finance Minister in the Budget Speech for the year 2017-18 highlighted the following:

- Listing of Public Sector Enterprises will foster greater public accountability and unlock the true value of these companies. The Government will put in place a revised mechanism and procedure to ensure time bound listing of identified CPSEs on stock exchanges.
- The shares of Railway PSEs like IRCTC, IRFC and IRCON will be listed in stock exchanges.
- Through consolidation, mergers and acquisitions, the CPSEs can be integrated across the value chain of an industry. It will give them capacity to bear higher risks, avail economies of scale, take higher investment decisions and create more value for the stakeholders. Possibilities of such restructuring are visible in the oil and gas sector. An integrated public sector 'oil major' is proposed to be created which will be able to match the performance of international and domestic private sector oil and gas companies.
- The Exchange Traded Fund (ETF), comprising shares of ten CPSEs, has received overwhelming response in the recent Further Fund Offering (FFO)[54]. ETF will continue to be used as a vehicle for further disinvestment of shares. Accordingly, a new ETF with diversified CPSE stocks and other Government holdings will be launched in 2017-18.

8.3 Target and Achievement for Disinvestment of CPSEs during 2017-18

The Budget estimate, revised estimate and actual realization made through disinvestment process as per DIPAM's record for the year 2013-14 to 2017-18 is given in Table 8.1:

[54] *FFO: Further Fund Offering refers to issue of further units by an existing fund to investors.*

Table 8.1: Estimate and realization in respect of Disinvestment of CPSEs during 2013-14 to 2017-18

(₹in crore)

	Budget Estimate	Revised Estimate	Realization
2013-14	40000	16027	15819
2014-15	43425	26353	24349
2015-16	41000	25313	23997
2016-17	56500	45500	46274
2017-18	72500	100000	100057

The Government of India (GoI) divested its share in 36 cases through different modes/routes during 2017-18. Details of actual realization from each of these modes are given in Table 8.2:

Table 8.2: Different modes of realization on account of Disinvestment of CPSEs during 2017-18

Mode of Disinvestment	No. of Cases	Realization/Receipts *(₹ in crore)*
Initial Public Offer (IPO)/Piggy Back[55]	6	24,039.85
Offer for Sale (OFS)[56]	7	13,395.65
Employees OFS	6	315.21
Buyback of shares	13	5,337.55
New Fund Offer[57]	1	14,500.00
Strategic Disinvestment[58]:		
(a) Off Market (HPCL-ONGC deal)	1	36,915.00
(b) Disinvestment of strategic holdings in the Specified Undertaking of Unit Trust of India (SUUTI)	1	4,153.65
Income from management of SUUTI's investment	1	1,400.00
Grand Total	**36**	**1,00,056.91**

Audit observed that income from SUUTI investment is not a part of disinvestment. As per directions received from GoI, and subsequent approval given by the Advisory Board of SUUTI from time to time, SUUTI is remitting the Interest and dividend received on

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[55] *Initial Public Offer refers to offer of shares by an unlisted CPSE or the Government out of its shareholding or a combination of both to the public for subscription for the first time. Issue of fresh equity in conjunction with the sale of Government's stake is termed as piggy-back transaction.*

[56] *Offer for Sale refers to sale of shares by the Government (promoter) through Stock Exchange mechanism. This method allows auction of shares on the platform provided by the Stock Exchange.*

[57] *New Fund Offer refers to disinvestment through Exchange Traded Fund (ETF) route, which allows simultaneous sale of Government's stake in various CPSEs across diverse sectors through a single offering. It provides a mechanism for the Government to monetize its shareholding in those CPSEs which form part of the ETF basket.*

[58] *Strategic disinvestment refers to sale of substantial portion of the Government shareholding of a CPSE of up to 50 per cent, or such higher percentage as the competent authority may determine, along with transfer of management control.*

SUUTI's investment to the Government. This income is booked under the MH 4000.01.800-Other receipts of Government Account while the disinvestment proceeds pertaining to sale of GoI disinvestment booked under MH-4000.03.190-disinvestment of Public Sector & Other Undertakings". During the audit of Finance Account of DIPAM, Audit observed that an amount of ₹1400 crore received as "Income from management of SUUTI's investment" during 2017-18 was incorrectly booked under MH- 4000.03.190 instead of booking under4000.01.800-Other receipts. Thus, during 2017-18, DIPAM overstated the amount of disinvestment by ₹1400.00 crore. This was pointed out while the accounts were certified.

DIPAM replied (June 2019) that SUUTI is only continuing to remit the excess income earned from its investments etc. as per earlier practice. However, the Head is "04-Premium Received on Disinvestment of Government's Equity Holdings under Major Head 4000-Miscellaneous Capital Receipts".

The reply of DIPAM is not tenable as such receipts are booked under the MH 4000.01.800-Other receipts of Government Account. Moreover, the Principal Accounts Office, Ministry of Finance (MoF) agreed (September 2018) with the misclassification and informed that the rectification had been carried out. CGA had accepted (June 2019) the rectification made by MoF in this regard. Thus the income of ₹ 1,400 crore from SUUTI can not be treated as proceeds from disinvestment.

Despite taking up the matter time and again with DIPAM, it did not provide information on the participation of LIC of India in the disinvestments made by the Government during 2017-18. Later, DIPAM provided (June 2019) partial information relating to stake taken by LIC in disinvestment made by GOI during the year 2017-18 (three IPOs and one OFS). It also provided information in respect of one IPO (MIDHANI) issued in 2018-19. It was noticed that in IPO of HAL 68.62 *per cent* shares out of shares offered in IPO (2017-18) were bought by LIC while in case of MIDAHANI, LIC bought 33.56 *per cent* shares out of shares offered in IPO (2018-19) by GOI.

In the absence of complete information, Audit could not verify whether the objective of promotion of public ownership of CPSEs was successfully achieved during 2017-18.

Audit Findings

Audit examination for the year 2017-18 includes 36 cases of disinvestment process in CPSEs through different modes, based on the files/records provided by the Department of Investment & Public Asset Management (DIPAM). Audit examination also includes records relating to disinvestment process in HPCL-ONGC deal to the extent provided by the Ministry of Petroleum & Natural Gas.

8.4 Initial Public Offer (IPO)

8.4.1 Realization from disinvestment through IPO

During the year 2017-18, GoI divested its shareholding in six CPSEs through IPO/Piggyback viz. General Insurance Corporation of India (GIC), The New India Assurance Co. Limited (NIACL), Bharat Dynamics Limited (BDL), Hindustan Aeronautics Limited (HAL), Cochin Shipyard Limited (CSL) and Housing & Urban Development Corporation Limited (HUDCO). The proceeds realized from disinvestment in these six cases were in given Table 8.3.

Table 8.3: Details of disinvestment realization through IPO during 2017-18

Sl. No.	Name of the CPSE	Percentage of GoI's shares disinvested	Mode of disinvestment	Amount realized from disinvestment (₹ in crore)	Percentage of GoI's shareholding post disinvestment
(i)	GIC	12.5	IPO (Piggyback)	9,704.16	85.78
(ii)	NIACL	11.65	IPO (Piggyback)	7,653.32	85.44
(iii)	BDL	12	IPO	950.35	88
(iv)	HAL	10	IPO	4,054.66	90
(v)	CSL	25	IPO (Piggyback)	470.01	75
(vi)	HUDCO	10.193	IPO	1,207.35	89.81
			Total	**24,039.85**	

8.4.2 Poor response from Retail Individual Investors

Para 3.3(8) of 'Handbook[59] on Disinvestment through Public Offerings' specified that the disinvestment policy envisages wide dispersal of public shareholding to enable the people of the country to share in the wealth and prosperity of CPSEs. Dispersed ownership of shares can be achieved by offering shares to retail investors. The current policy of disinvestment of minority stake in CPSEs is governed by the decision (5 November 2009) of the Cabinet Committee of Economic Affairs (CCEA). Vide this decision, the CCEA *inter-alia*, approved that CPSEs having a positive net-worth, no accumulated losses and having earned net-profits in the three preceding consecutive years, be required to achieve mandatory listing norms of 10 *per cent* public holding and all such unlisted CPSEs, be required to list on the stock exchanges. On 22 August 2014, Ministry of Finance (Department of Economic Affairs) notified amendment to the Securities Contract (Regulation) Rules, 1957 whereby every listed public sector company, which has public shareholding below *25 per cent*, shall increase its public shareholding to at least 25 *per cent* within a period of three years.

[59] *The handbook on Disinvestment through Public Offerings was brought out by the erstwhile Department of Disinvestment (now DIPAM) in June 2011.*

CCEA had delegated (January 2017) the requirement of decision of disinvestment in 35 CPSEs on a case to case basis to the Alternative Mechanism[60], which was to decide on the quantum of disinvestment, approve the price band/floor price for sale of shares of CPSEs, method/mode of disinvestment, number of tranches and number of shares to be allotted, and the discount to retail investors and eligible employees of CPSEs. In line with the CCEA approval (April 2017) of the proposal of DIPAM for disinvestment of 25 *per cent* of GoI's shareholding in 11 CPSEs, the Alternative Mechanism, on several occasions[61], took the decision for offer of shares of CPSEs through the process of IPO, with allocation in the ratio of 50:35:15 to Qualified Institutional Bidders, Retail Investors and Non Institutional Investors respectively. As per Regulation 43(2) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, in an issue made through book building process[62], allocation in the net offer to public shall not be less than 35 *per cent.*

The response from each of the categories of investors (in terms of number of times shares subscribed) in respect of the six CPSEs where disinvestment through IPO was carried out during the year 2017-18 is given in Table 8.4.

Table 8.4: Investors' response for disinvestment through IPO during 2017-18

Sl. No.	Particulars	GIC	NIACL	BDL	HAL	CSL	HUDCO
(i)	Qualified Institutional Buyers (QIBs)	2.25x	2.34x	1.50x	1.73x	63.52x	55.54x
(ii)	Non-Institutional Investors (NIIs)	0.22x	0.12x	0.50x	0.03x	288.87x	330.36x
(iii)	Retail Individual Investors (RIIs)	0.63x	0.11x	1.41x	0.39x	8.51x	10.79x
(iv)	Employees Reservation	1.01x	0.21x	0.42x	0.21x	0.48x	0.74x
All categories of investors		1.38x	1.19x	1.30x	0.99x	76.19x	79.53x

('x' in the above table refers to the number of times the shares were subscribed. Thus, 2.25x implies that the shares offered under the IPO were subscribed by 2.25 times i.e. 225 shares were subscribed against 100 shares offered)

As seen from the above table, in case of the IPOs of HAL, GIC and NIACL, the response of the Retail Individual Investors was very poor, ranging between 0.11 times to 0.63 times of the shares offered. Thus, in 50 *per cent* of the number of IPOs brought out during 2017-18, Retail Individual Investor quota remained significantly under-subscribed in these three CPSEs and consequently the objective as envisaged for retail individual investors in the disinvestment policy could not be fully achieved.

[60] *The Alternative Mechanism performs the functions of the erstwhile Empowered Group of Ministers (EGoM) and it consists of the Finance Minister as Chairman, and the Minister of Road Transport & Highways and Minister of the Administrative Ministry/Department as members.*

[61] *occasions – HUDCO-April 2017; CSL- August 2017; GIC- October 2017; NIACL - November 2017; BDLand HAL-March 2018*

[62] *A book building process is a process undertaken to elicit demand and to assess the price for determination of the quantum or value of securities*

DIPAM replied (March and June 2019) that though the issue, under retail investor's category, might not be fully subscribed, nevertheless overall the issue got fully subscribed keeping in view the participation of non-retail investors. DIPAM also replied that response from investors is not under the government's control and depends on the individual investors' choice and market conditions to invest.

While it is agreed that response from investors is not under government's control, the differing response from retail shareholders, *i.e.* over-subscription in three CPSEs and under-subscription in other three CPSEs, is an indication that there is need for an analysis to better understand the investment pattern across different categories. Further, the observation pertained to retail participation in IPOs, but the response of DIPAM did not contain either reasons for low retail investor participation or remedial steps to encourage retail investor participation in IPOs.

8.5 Offer For Sale (OFS)

8.5.1 Realization from disinvestments through OFS

During the year 2017-18, DIPAM realized an amount of ₹ 13,395.65 crore from disinvestment in seven CPSEs through OFS method as detailed in the Table 8.5.

Table 8.5: Disinvestment realization through OFS during 2017-18

Name of the CPSE	Percentage of disinvestment of GoI's shareholding	Date of approval by CCEA	Receipts from disinvestment (₹ in crore)	Percentage of GoI's shareholding post disinvestment
National Aluminium Company Limited (NALCO)	9.21	19.02.2015	1,191.73	65.38
Rashtriya Chemicals and Fertilizers Limited (RCFL)	5	13.05.2015	205.15	75
National Fertilizers Limited (NFL)	15	13.05.2015	530.72	74.71
Hindustan Copper Limited	6.83	13.05.2015	404.71	76.05
NTPC Limited	6.63	18.01.2017	9,117.92	63.11
NLC (India) Limited	5	18.01.2017	722.29	84.32
NMDC Limited	2.52	19.02.2015	1,223.13	72.42
Total			**13,395.65**	

8.5.2 Non-adherence to Implementation schedule for OFS

On 22 August 2014, the Ministry of Finance (Department of Economic Affairs) notified amendment to the Securities Contract (Regulation) Rules, 1957 whereby every listed public sector company, which has public shareholding below 25 *per cent* shall increase its public shareholding to at least 25 *per cent* within a period of three years.

Accordingly, CCEA approved (13 May 2015) disinvestment of 15 *per cent* of Government shareholding each in MMTC Limited (MMTC) and The State Trading Corporation of India Limited (STC) through OFS. GoI held 89.93 *per cent* and 90 *per cent* shares in MMTC and STC respectively on 5 May 2015. As per the Implementation Schedule, CCEA decided that the timing of the issue would depend on the market conditions and the proposed disinvestment was to be implemented by 21 August 2017.

Audit observed that DIPAM could not implement the decision of CCEA for disinvestment in MMTC & STC by 21 August 2017. Consequently, the expected realization of ₹ 974 crore (MMTC: ₹ 836.97 crore and STC: ₹ 137.03 crore) based on trading prices prevailing on 21 August 2017 did not materialize through the disinvestment of these two CPSEs. Moreover, it may be seen from the table below that the share trading price of both the CPSEs declined subsequent to 21 August 2017 which resulted in a notional loss to the tune of ₹ 260.81 crore (MMTC: ₹ 218.24 crore and STC: ₹ 42.57 crore) as on 30 September 2018.

The details of Government shareholding in MMTC and STC indicating number of shares along with the stock exchange trading rates there against are given in Table 8.6.

Table 8.6: Notional loss due to delay in OFS in MMTC and STC

CPSE	Date	No. of Shares held by GoI	No. of shares to be sold i.e. 15 *per cent* from GoI holding	Exchange Rate per share (in ₹)	Expected realization through disinvestment (₹ crore) (D)x(E)	Notional loss due to delay in disinvestment (₹ crore)
(A)	**(B)**	**(C)**	**(D)**	**(E)**	**(F)**	**(G)**
MMTC	21.08.2017	89,92,68,762	14,99,94,790	55.80	836.97	-
	31.03.2018	89,92,68,762	14,99,94,790	55.65	834.72	2.25
MMTC (after bonus issue)	30.09.2018	134,89,03,143	22,49,92,184	27.50	618.73	218.24
STC	21.08.2017	5,40,00,000	90,00,000	152.25	137.03	-
	31.03.2018	5,40,00,000	90,00,000	135.85	122.27	14.76
	30.09.2018	5,40,00,000	90,00,000	104.95	94.46	42.57
***MMTC issued 1:2 Bonus Shares on 3 May 2018**						

DIPAM replied (March2019) that the price movement in share market depends on performance of CPSEs, perception of investors about its possible growth and investors’ appetite etc. The decision for disinvestment is taken, based on existing investors' appetite and market conditions. The daily trading volume for FY 2017-18 period of MMTC shares of 25.5 lakh shares/day and that of STC shares of 3.6 lakh/day showed poor investors' appetite, while the approval of OFS was for 14.99 crores shares in case of MMTC and 90 lakh shares in case of STC. In the absence of appetite of investors, it was considered not appropriate for undertaking the OFS for MMTC & STC as there was likely failure of GoI offering in the market which was not desirable.

DIPAM, while reiterating the earlier response, added (June 2019) that each transaction is different from the other and the absence of market appetite during the period, particularly when the volume trades in MMTC/STC were low, could have resulted in failure of OFS leading to more complications. Therefore, OFS of MMTC was not considered during the period accordingly.

The reply of DIPAM was not tenable and had to be seen in light of the fact that in respect of seven CPSEs which were disinvested through OFS route, the disinvested shares were far higher in number than the average daily trading volume as given in Table 8.7. In these five CPSEs, the quantity divested as per cent of daily volume traded, was higher than quantity proposed as per cent of Average daily volume traded. Moreover, as per approval of the Alternative Mechanism, 80 *per cent* of the OFS was allotted to Non-retail category and hence, with limited categorization, it was incumbent on DIPAM to make efforts to execute the OFS successfully.

Hence, the justification offered by DIPAM in respect of STC and MMTC is not acceptable.

Table 8.7: Quantity proposed and quantity divested under OFS as a percentage of daily volume traded

CPSE	Average Daily volume traded during 2017-18 (BSE+NSE)	Qty Proposed for OFS	Difference between qty proposed and daily volume traded (C)-(B)	Qty proposed as % of daily volume traded (C)/(B)*100	Qty divested through OFS	Qty divested as % of daily volume traded
(A)	**(B)**	**(C)**	**(D)**	**(E)**	**(F)**	**(G)=(F)/(B)*100**
STC	3,69,815	90,00,000	86,30,185	2434	--	
MMTC	25,53,447	149994790	14,74,41,343	5874	--	
NMDC	38,46,680	4,74,58,357	4,36,11,677	1234	7,95,54,641	2068
NLC	6,91,589	4,58,57,053	4,51,65,464	6631	7,64,28,421	11051
NALCO	63,48,910	9,66,46,444	9,02,97,534	1522	17,80,69,927	2804
HIND COPPER	30,05,198	3,70,08,720	3,40,03,522	1231	6,31,72,849	2102

RCFL	49,49,451	2,75,84,405	2,26,34,954	557	2,75,84,405	557
NFL	14,00,751	7,35,86,760	7,21,86,009	5253	7,35,86,760	5253
NTPC	68,56,984	41,22,73,220	40,54,16,236	6012	54,80,49,960	7992

Further trend of share price of MMTC and STC is shown in the ***Appendix-XXVIII***. It can be seen that STC share price was above ₹ 200 during 02.01.2017 to 25.01.2017 with maximum share price of ₹ 239.85 on 09.01.2017. However, DIPAM did not use this opportunity to offload the shares at the best price. Thereafter downward trend was noticed. However it can also be seen that even after the last day of timeline prescribed by the CCEA i.e. 21.08.2017, the market price of STC share again traded for more than ₹ 200 per share during 01.11.2017 to 17.11.2017 with maximum price of ₹ 280.70 on 07.11.2017. This time also DIPAM could not avail of the opportunity.

Similar pattern was observed in the share price of MMTC. MMTC share traded at more than ₹ 60 on number of occasions during January 2017 to June 2017 (i.e. before the last date 21.08.2017 as approved by the CCEA) with maximum share price of ₹ 71.45 on 12.01.2017. Moreover, on various occasion during September 2017 to January 2018 (i.e. after the last date 21.08.2017), MMTC share traded at more than ₹ 60 with maximum price of ₹ 95.75 on 07.11.2017. This time also DIPAM could not avail of the opportunity.

The audit analysis of share volumes traded in respect of MMTC/STC and market trends in small cap, mid cap and large cap indices indicated that there were numerous occasions when the shares could have been offloaded in the market. However, DIPAM did not avail the opportunity to offload the shares at the best price.

8.5.3 Realization from disinvestment through Employees OFS

During the year 2017-18, an amount of ₹ 315.21 crore was realized from disinvestment through Employees OFS (EOFS) in five CPSEs (on six occasions) as given in Table 8.8.

Table 8.8: Disinvestment realization through EOFS during 2017-18

Name of the CPSE	Percentage of disinvestment of GoI's shareholding	Receipts from disinvestment (₹ crore)	Percentage of GoI's shareholding post disinvestment
Hindustan Copper Limited	0.07	3.73	82.88
Bharat Electronics Limited	0.25	79.51	67.94
NTPC Limited	0.12	151.14	62.99
Hindustan Copper Limited	0.0064	0.36	76.046
National Aluminium Company Limited	0.40	50.51	64.96
NBCC (India) Limited	0.21	29.96	74.29
	Total	**315.21**	

8.5.4 Non-achievement of expected realization from Employees OFS

Comprehensive guidelines on OFS were issued by the Securities and Exchange Board of India (SEBI) on 18 July 2012. As per these guidelines, the EOFS was to be conducted after a cooling off period of 12 weeks from the transaction of OFS. In order to further streamline the process of OFS with an objective to encourage greater participation by employees, the existing provision with respect to restriction on sale of shares by promoters post OFS was modified by SEBI vide its circulars dated 27 June 2017 and 18 August 2017 respectively. These, *inter alia*, allowed the promoters to sell shares within a period of 2 weeks from the date of OFS transaction to the employees of such companies. Employees OFS was to be made a part of the OFS transaction and the allotment of shares to all eligible employees of CPSEs was allowed subject to the condition that the allotment size would be up to a maximum of 5 *per cent* of the issue size of OFS.

In the following three cases, the EOFS could not be executed after conclusion of the OFS transaction. The expected realization through Employees OFS is given in Table 8.9.

Table 8.9: Expected realization from EOFS

Name of the CPSE	Date of CCEA approval	Date of OFS completion	No. of shares allotted to Employee Category	Discounted Price/share	Expected realization (₹ in crore)
NMDC	19.2.2015	9/10.01.2018	3977732	145.83	58.01
RCFL	13.5.2015	29/30.6.2017	68961	70.53	0.49
NFL	13.5.2015	26/27.07.2017	551900	69.16	3.82
				Total	**62.32**

RCFL and NFL EOFS could not be executed within two weeks of OFS since DIPAM was requesting SEBI not to consider the Employee OFS a part of OFS but SEBI did not accept the request of DIPAM. Thus RCFL and NFL EOFS could not be completed in two weeks period due to paucity of time and the request pending for consideration with SEBI.

Audit noticed that NMDC Limited informed (15 January 2018) DIPAM that they were in mining operations in far flung areas and most employees who were eligible to receive Equity Shares were working in mine areas, with limited access to internet. Accordingly, NMDC Limited informed DIPAM that the issue of EOFS would be conducted after completing formalities on or after 25.01.2018 and subsequently intimated (July 2018) DIPAM that as the share price of the company substantially dropped, the transaction of EOFS could not be conducted in the best interest of the employees.

DIPAM replied (March 2019) that employees had to open a DEMAT account for participating in EOFS and the time taken to open a DEMAT account was more than 2 weeks whereas, the time slot for Employees OFS was two weeks as per the SEBI norms. Hence, employees of CPSE had not been able to subscribe to shares within the time slot and in the meanwhile, since the offer price to the employees was higher than the market value of the share of NMDC, none of the employees showed interest.

DIPAM, while reiterating its earlier reply has added (June 2019) that, in another case with respect to Coal India Limited, SEBI had not acceded to the proposal for granting exemption from the stipulation of completing the employee offer within the period of 2 weeks. Therefore, NMDC Employees OFS was closed after taking approval of Secretary, DIPAM.

The reply of DIPAM is not tenable, since in respect of NTPC Ltd (for divesting 5 *per cent* GOI stake) OFS was launched on 29 August 2017 and completed on 30 August 2017. Further, EOFS from NTPC was kept open from 11 September 2017 to 13 September 2017, i.e. within 2 weeks of OFS. Again, the response of DIPAM is not tenable on account of absence of information on the percentage of employees who did not have DEMAT accounts as on the date of undertaking OFS since opportunity of participation in the Employee OFS was not made available for those employees who had DEMAT accounts.

The refusal of SEBI in case of Coal India Limited was connected with the observation pertaining to NMDC Limited. Further, in case of NMDC Ltd, in the records made available to Audit there was no indication of correspondence with SEBI, seeking exemption from the stipulation of completing the employee offer within 2 weeks. In the instant case, DIPAM closed the NMDC employees OFS. This indicated that timely action on the part of DIPAM, was lacking.

Thus, due to non-conduct of EOFS in respect of above three CPSEs, there was non-adherence to SEBI's guidelines and the expected realization to GoI of ₹ 62.32 crore, did not materialize.

8.6 Buyback of Shares

8.6.1 Realization from disinvestment through buyback of shares

Buyback of shares improves investors' confidence in the Company and helps the Company to raise capital in future when it requires funds for expansion/diversification for growth. Thus, it supports their market capitalization, which is in the overall long-term interest of the Company. Capital restructuring guidelines of DIPAM dated 27 May 2016 provides that based on financial analysis, every CPSE having net-worth of at least ₹ 2,000 crore and cash and bank balance of over ₹ 1,000 crore shall exercise the option to buy back their shares. During the financial year 2017-18, Inter-Ministerial Group (IMG) in its meeting held on 6 and 7 June 2017 considered disinvestment through buyback in 13 CPSEs. Disinvestment in four more CPSEs viz. SJVN Limited, Engineers India Limited, Oil India Limited and Antrix Corporation Limited were also approved by the Finance Minister during the year. Out of these 17 CPSEs, DIPAM divested stake of GoI's shareholdings in 13 CPSEs through buyback method and realized proceeds of ₹ 5,337.55 crore during 2017-18 is given in Table 8.10.

Table 8.10: Disinvestment realization through buy back during 2017-18

Sl. No.	Name of the CPSE	Percentage of shares proposed by DIPAM for buyback	Percentage of buyback fixed by Board of Directors during 2017-18	Actual accrual to GoI (₹ crore)
1	Bharat Electronics Limited	25	5	217.76
2	MOIL Limited	25	7.5	130.85
3	Hindustan Aeronautics Limited	25	7.5	921.5
4	IRCON International Limited	25	5	190.59
5	Mazgaon Docks Ltd	25	10	253.48
6	Security Printing and Minting Corporation of India Limited	25	10	455
7	Bharat Dynamics Limited	25	25*	450.53
8	Garden Reach Shipbuilders and Engineers Limited	25	7.5	77.62
9	HSCC (India) Limited	25	25*	49.55
10	Oil India Limited	25	5.6	1135.26
11	Engineers India Limited	25	6.64	657.81
12	Antrix Corporation Limited	15	15	238.92
13	SJVN Limited	5	5	558.68
	Total			**5,337.55**

***Fixed by Special Resolution**

8.7 Strategic Disinvestment

8.7.1 Status of implementation of Strategic disinvestment

Strategic disinvestment implies sale of substantial portion of the Government shareholding of a CPSE of up to 50 *per cent*, or such higher percentage as the competent authority may determine, along with transfer of management control. The Government would save on the financial support required to be provided to loss making CPSEs. CCEA, in its meeting held on 17 February 2016 approved the proposal of Department of Investment and Public Asset Management (DIPAM) relating to procedure and mechanism for strategic disinvestment of Central Public Sector Enterprises (CPSEs).

During 2017-18, GoI approved 24 CPSEs for Strategic disinvestment. NITI Aayog, after the inter-ministerial consultations made recommendations for strategic disinvestment in 23 CPSEs in four tranches. The recommendations of the Core Group of Secretaries on Disinvestment (CGD), based on the report of NITI Aayog, were concurred by the CCEA in four tranches on 27 October 2016 (first and second tranche), 1 November 2017 (third tranche) and 28 June 2017 (fourth tranche). The timeline for implementation was one year from the CCEA approval through two-stage auction process. In cases of CPSEs namely National Projects Construction Corporation Limited (NPCC), HSCC (India) Limited and Engineering Projects (India) Limited (EPIL), action was to be taken for merger with similarly placed CPSEs as per the timeline mentioned above. Further, strategic disinvestment in Hindustan Petroleum Corporation Limited (HPCL-ONGC deal) was also approved by CCEA in its meeting held on 19 July 2017.

8.7.2 Delay in implementation of strategic disinvestment

The status of disinvestment process in 24 CPSEs through Strategic disinvestment mode, as per the information provided by DIPAM (September 2018) is as under:

No. of CPSEs	Names of CPSEs	Status
1	HPCL	Transaction completed (2017-18) and an amount of ₹36915 crore has been realized from disinvestment.
23	(1) Scooters India Limited, (2) Bridge & Roof Company India Limited, (3) Projects & Development India Limited, (4) Pawan Hans Limited, (5) Bharat Pumps & Compressors Limited, (6) Central Electronics Limited (7) Hindustan Prefab Limited, (8) BEML Limited, (9) Hindustan Newsprint Limited, (10) Ferro Scrap Nigam Limited, (11) Hindustan Fluorocarbons Limited, (12) Cement Corporation of India Limited, (13) NMDC Limited (Nagarnar Unit), (14) Steel Authority of India Limited (Durgapur, Salem, and Bhadravati Steel Plant), (15) HSCC (India) Limited, (16) National Projects Construction Corporation Limited, (17) Engineering Projects (India) Limited, (18)Dredging Corporation of India Limited, (19) Kamarajar Port Limited, (20) HLL Lifecare Limited, (21) Indian Medicines and Pharmaceuticals Corporation Limited, (22) Karnataka Antibiotics and Pharmaceuticals Limited, and (23) Air India Limited and five of its subsidiaries.	Strategic Disinvestment is at different stages of implementation

Audit noticed that out of 24 CPSEs as approved by the CCEA for strategic disinvestment, only one HPCL-ONGC deal was finalized during 2017-18. As per the information provided by DIPAM, the strategic disinvestment of remaining 23 CPSEs was still under implementation even though the same was to be completed within one year from the date of CCEA approval. Thus, strategic disinvestment in 23 CPSEs could not be conducted within the time frame specified in CCEA approval.

DIPAM replied (26 March 2019) that the time required for Strategic Disinvestment depended on the complexities involved in the transaction and also on the extent of interest from potential bidders. For example, no Expression of Interest (EOI) was received in case of Air India, HFL, HNL, PHL and B&R; the financial bid was rejected in case of PDIL and EPIL; no financial bid was received in case of HAL. Therefore, the process had to be initiated again. DIPAM added that during 2018-19, strategic disinvestment of HSCC, DCIL, REC and NPCC had already been completed.

The subsequent reply (July 2019) of DIPAM provided the current status of the cases of strategic disinvestment. However, no other case was finalized apart from the four cases of disinvestment (HSCC, DCIL, REC and NPCC).

The reply of DIPAM indicated that out of the 24 CPSEs approved for strategic disinvestment, only four CPSEs had been divested up to 2018-19. It was evident from the reply that REC, which was subject to strategic disinvestment during 2018-19, was not included in the list of 24 CPSEs which were approved for strategic disinvestment during 2017-18. The target of 24 CPSEs was not even closely achieved. Further efforts on the part of DIPAM and the concerned Administrative Ministries as well as effective co-ordination between them, to complete the strategic disinvestment of the remaining CPSEs, were required.

8.7.3 Strategic Disinvestment in HPCL (HPCL-ONGC deal)

The CCEA granted (19 July 2017) "in-principle" approval on the recommendations of Core Group of Secretaries on Disinvestment (CGD) to consider strategic sale of the Government of India's existing shareholding in HPCL aggregating to 51.11 *per cent* of total equity share capital of HPCL to Oil and Natural Gas Corporation Limited (ONGC) along with transfer of management control. M/s Protocol Insurance Surveyors and Loss Assessors Pvt. Ltd was appointed as Asset Valuer by the Administrative Ministry i.e. Ministry of Petroleum and Natural Gas (MoPNG) for valuation of tangible assets. The reports submitted by the valuer provided the basis e.g. methodologies/approach and assumptions etc. for arriving at proposed valuation in respect of assets. M/s JM Financial Institutional Securities Limited was appointed as Transaction Advisor to carry out business valuation. These reports were examined and recommended by MoPNG for approval of Evaluation Committee (EC). Based on the valuation report, Evaluation Committee recommended a Reserve Price of ₹35,749 crore to CGD with the observation that the valuation is factually correct, complete and consistent with the principles and methodologies. Price bid submitted by ONGC was opened in the meeting of EC held on 20 January 2018. ONGC had quoted the price of ₹ 36,915 crore for the said deal which was accepted and accordingly the Share Purchase Agreement between the President of India (acting through MoPNG) and ONGC were got signed on 20 January 2018 itself.

As per DIPAM's 'Guidance Note–III on Strategic Disinvestment', records of deliberations by Advisors along with working sheets, supporting documents (in paper & electronic form records) should be kept for future reference by the Administrative Ministry.

Scrutiny of the Pricing Analysis Report revealed that the Transaction Advisor had rectified some linking errors in the data provided by HPCL. Audit therefore, requested MoPNG (October 2018) to provide the relevant calculation/working sheet with regard to the price arrived at (while factoring free cash flow, debt inventory and estimation of refinery margins) and recommended by EC for the deal. MoPNG replied (2 November 2018) that the said information/records sought was not available in the Ministry. However, MoPNG subsequently replied that the Asset Valuer had informed that all workings, methodology/approach and assumptions etc. had been incorporated in the Inception Repot and Valuation Report which had already been provided to Audit. The reply of MoPNG had to be viewed in light of DIPAMs reply (March 2019) that the Advisers had duly made detailed presentation for valuation of HPCL before MoPNG and furnished detailed explanation, adding that the Annexures of valuation report provided finer working under each method, which had been highlighted in the detailed power point presentation.

From the replies of DIPAM and MoPNG and in absence of the supporting sheets (containing future estimations viz. free cash flow, debt inventory and estimation of refinery margins) provided by HPCL to the Technical Adviser for arriving at the price, audit could not derive an assurance that the price was correctly arrived at.

DIPAM in its subsequent reply (July 2019) stated that the basis for working of valuation was given in the final valuation report provided by Transaction Adviser to MoPNG, which was made available to Audit. The reply of DIPAM was not factual as they did not provide the records of deliberations by Advisors along with working sheets, supporting documents (in paper & electronic form) and supporting sheets (containing future estimations viz. free cash flow, debt inventory and estimation of refinery margins) provided by HPCL to the Advisor.

Though the disinvestment in HPCL-ONGC deal was as per procedure and mechanism laid down for 'Strategic Sale' by CCEA, Audit is of the opinion that this disinvestment needs to be seen in the light of the fact that the same only involved transfer of GoI's shares in one Government company to another Government company of GoI.

8.8 New Exchange Traded Fund (New ETF)

8.8.1 Constitution of New ETF

With a view to minimize market disruptions seen in public offerings of listed entities; increase ability of the Government to monetize partial stakes in listed CPSEs, broad base retail participation of shares and help to deepen the market for equity-based products, the Cabinet Committee on Economic Affairs (CCEA) on 2nd May, 2013 approved creation and launch of CPSE ETF for disinvestment of equity comprising stocks of listed CPSEs, subject to a maximum offering disinvestment of three per cent shares of CPSEs included in the basket out of Government of India shareholding. In the Budget speech for 2017-18, the Finance Minister announced that ETF as a vehicle for further disinvestment of shares would be continued. Accordingly, a new ETF with diversified CPSE stocks and other Government holdings was to be launched in 2017-18. The Government selected and appointed M/s ICICI Prudential Asset Management Company as AMC to the New ETF. M/s Kotak Mahindra Capital Co. Ltd. was appointed for advising and assisting DIPAM in the creation and launch of the New ETF. M/s SNG and Partners was selected and appointed as Legal Adviser to the Government of India for assisting and advising in the execution/implementation of the new ETF process.

CCEA in its meeting held on 19 July 2017 (note 18 July 2017) authorized Alternative Mechanism (AM) to take further decisions for disinvestment through ETF viz. matters related to disinvestment through ETF and constitution of ETF portfolio out of all the listed CPSEs. The AM in its meetings held on 3 August 2017 and 23 October 2017, *inter-alia*, approved the composition of New ETF named Bharat 22 ETF Index with 22 constituent entities. The New Fund Offer (NFO) i.e. Bharat 22 ETF was launched on 14 November 2017 for Anchor investors and from 15-17 November 2017 for Non-Anchor investors. The size of the NFO was kept at ₹ 8,000 crore. Further, in case of over-subscription during the NFO, the Government of India reserved the right to retain the oversubscribed portion to the extent of ₹ 4,000 crore. It was also decided that the quantum of upfront discount to all investors subscribing to the units may be kept at 3 *per cent* on the 'Reference Market Price' which shall be calculated as the price determined based on the average of full day volume weighted average price on the Bombay Stock Exchange during the Non-Anchor Investment NFO period (i.e. 15-17 November 2017) of the underlying index shares disinvested through the Bharat 22 ETF.

Bharat 22 comprises 22 stocks as shown in the ***Appendix-XXIX*** viz. Public Sector Banks (PSBs) and also the Government holdings under the Specified Undertaking of Unit Trust of India (SUUTI) in blue chip private companies like Larsen & Toubro (L&T), Axis Bank and ITC. ETF represented 6 core sectors of the economy viz. Finance, Industry, Energy, Utilities, Fast Moving Consumer Goods (FMCG) and Basic Materials.

8.8.2 Avoidable discount on Government holdings under SUUTI

Audit observed that the Department of Economic Affairs (DEA), in its comments communicated to DIPAM on the draft CCEA Note dated 28 June 2017, did not agree to the proposal of inclusion of Government holdings under the SUUTI in Larsen & Toubro, Axis Bank and ITC in Bharat 22 ETF. DEA suggested that: (i) Listed SUUTI holdings in private companies like Axis Bank, L&T or ITC were no longer strategic to the Government, (ii) SUUTI holdings were liquid and profitable stocks which attracted strategic investors who in most likelihood were willing to bid at a potentially higher rate, whereas ETF entailed them being offered at a discount along with other PSU stocks. Valuation may be higher, since these holdings may assure potential investors a seat in the Board of Directors of these companies. (iii) Even if SUUTI stocks were added as a sweetener to increase the attractiveness of some PSU stocks constituting the ETF, it was not a good enough reason for its inclusion in a PSE-oriented ETF, particularly when public sector financial institutions were otherwise also much-valued stocks in the market. Exclusion of SUUTI stocks would make the proposed ETF an exclusive finance sector oriented ETF of Government.

SUUTI held 11.47 *per cent* in Axis bank, 9.08 *per cent* in ITC and 6.55 *per cent* in L&T as at the end of March 2017. Number of shares divested through ETF in these private companies and amount realized at discounted price is given in Table 8.11.

Table 8.11: Less disinvestment realization due to discount on SUUTI holdings

Description	AXIS Bank	ITC	L&T	Total amount realized (₹ crore)
Total Shares Disinvested through ETF	2,15,70,215	7,75,19,516	2,08,13,138	
Average of Volume-weighted average price (VWAP) share traded on exchange on 3 trading days i.e. November 15, 16 and 17 of 2017	545.27	254.72	1,221.09	
Discounted Price offered after 3 *per cent* discount on ETF to all categories	528.92	247.08	1,184.46	
Proceeds calculated on Average of VWAP on November 15, 16 and 17 of 2017 (₹ crore)	1,176.16	1,974.58	2,541.47	5,692.21 (A)
Actual Proceeds realized on discounted price (₹ crore)	1,140.89	1,915.35	2,465.23	5,521.47 (B)
Lesser amount realized due to offer of discount = (A) – (B) = ₹ 170.74 crore				

Audit is of the opinion that the SUUTI holdings in blue chip private companies like L&T, Axis Bank and ITC are very liquid, good pedigree stocks. Such profitable stocks could comfortably attract high Net-worth Investor(s) to fetch better and higher rate. These investments were included in the ETF with an intention to make the proposed basket more diversified in the new ETF. However, an avoidable discount of ₹ 170.74 crore was offered on SUUTI investments in three blue-chip private companies, along with other PSU stocks to all categories of investors, even to high Net-worth Investors. If the suggestions of DEA had been considered, it could have fetched higher valuation price for GOI strategic divestment of SUUTI stocks and discount of ₹ 170.74 crore, offered on attractive SUUTI stocks could have been avoided.

DIPAM replied (July 2019) that discounts are generally offered in the usual course of most offerings whether OFS, IPO or other market linked instruments used for disinvestment by DIPAM. DIPAM also replied that depending upon the market conditions, offering of requisite discounts on large volume divestments are accepted industry practice. DIPAM further replied that the decision of offering discount and the quantum of discount was taken by the Government based on technical and market analysis by the advisers for the issue and deliberated and recommended by HLC and approved by the Alternative mechanism. This was based on the advice of the AMC/ Merchant Bankers who have an in-depth knowledge and wide experience of market conditions and investor interest.

The reply of DIPAM had to be seen in light of the fact that DIPAM offered clarifications on the comments of DEA and requested (July 2017) DEA to reconsider their views. However, from records furnished to Audit, neither was the response of DEA available nor was the consolidated view of the Ministry of Finance available. Further, from records made available, there was no indication that DIPAM had evaluated an alternative composition of ETF, considering the view of DEA.

8.9 Special National Investment Fund (SNIF)

8.9.1 Creation of Special National Investment Fund

As per the Securities Contract (Regulations) Rules, 1957 (SCRR), all listed CPSEs were required to maintain public shareholding of at least 10 *per cent* of the paid up capital of the Company. All Companies which were not compliant with the requirement of Minimum Public Shareholding (MPS) were to be made compliant before 8 August 2013.

Since some of the Central Public Sector Enterprises (CPSEs) were not financially sound and some had been referred to the Board for Industrial and Financial Reconstruction (BIFR) /Board for Reconstruction of Public Sector Enterprises (BRPSE) for their revival, it was found difficult to meet the MPS norm by following SEBI approved methods. DIPAM (the then Department of Disinvestment) discussed the matter with SEBI and proposed to meet the MPS norm in six CPSEs (viz. Andrew Yule & Company Limited, The Fertilizers and Chemicals Travancore Limited, Hindustan Photo Films Mfg. Company Limited, HMT

Limited, ITI Limited and Scooters India Limited) by way of creation of a separate fund called Special National Investment Fund (SNIF).

CCEA in its meeting held on 26July 2013 approved creation of SNIF for the specific objective of meeting the MPS norm of 10 *per cent* in the aforesaid six CPSEs. As per approval of CCEA, the numbers of shares that were required to make these six CPSEs compliant with the MPS norm were transferred on irrevocable basis to SNIF without any consideration.

8.9.2 Closure of SNIF

As per the notification dated 6 August 2013 for creation of SNIF, the SNIF would be managed by Independent Professional Fund Managers to be appointed by the Government. The transferred shares would be sold by the Independent Professional Fund Managers within a period of five years and the funds realized from such sale would be utilized for social sector schemes of the Government. After this exercise, the SNIF would be closed.

The shares of six CPSEs upto 10 *per cent* were transferred to SNIF in compliance with the MPS norms but no efforts made by DIPAM to explore the mode of disinvestment of GoI holding in certain CPSEs identified for the SNIF within a period of five years. The SNIF would be managed by Independent Professional Fund Managers to be appointed by the Government. However, the information relating to organization structure, officials appointed by DIPAM for disposing shares transferred to SNIF, owners of the fund were not found available from the records.

Audit was asked DIPAM to provide the details (April 2019). Reply of DIPAM was awaited (July 2019).

8.9.3 Accounting procedure for SNIF

As per the Gazette notification (6 August 2013) regarding creation of SNIF, the transferred shares would be sold by SNIF and the receipt from sale of shares would be used for social sector schemes of the Government. The accounting procedure would be finalized by Department of Economic Affairs (Budget Division). In this connection, Audit sought the details from DIPAM regarding the accounting procedure, if any, finalized for accounting of income received from the fund as interest, dividend, etc. and the details of disbursement from the fund.

DIPAM replied (June 2019) that Accounting procedure had to be finalized by DEA, hence, para may be dropped from DIPAM. DIPAM also replied that all the CPSEs, whose shares are parked in SNIF are loss making units, hence the scope for any regular income is quite low.

The reply of DIPAM confirmed that the accounting procedure was not finalized.

8.10 Minimum Public Shareholding Norms

8.10.1 Requirements for Minimum Public Shareholding in CPSEs

Regulation 38 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") mandates a listed entity to comply with the Minimum Public Shareholding (MPS) requirements specified in rules 19(2)(b) and 19A of the Securities Contracts (Regulation) Rules, 1957 (SCRR) in the manner as specified by SEBI from time to time.

Accordingly, every listed company has to maintain a public shareholding of at least 25 *per cent* by 21 August 2017 in terms of provisions of Rule 19A of the SCRR. In an effort to streamline the approach in the enforcement of MPS norms, SEBI also laid down procedures for stock exchanges to impose fines on non-compliant companies**.** SEBI provided additional time up to 21 August 2018 to comply with the MPS norms by all listed public sector companies. The Department of Economic Affairs, Ministry of Finance vide its notification dated 3rd August 2018 extended a period of two years for complying with the Minimum public shareholding to at least twenty five per cent in CPSEs. Audit called for the records wherein such extension was sought to check the documented reason for delay in offloading the GoI shareholding to the required limit. However, relevant records/ files were not provided to audit.

8.10.2 Non-achievement of MPS norms in listed CPSEs

Audit observed that in 17 CPSEs given in Table 8.12, the mandatory 25 *per cent* of MPS had not been achieved:

Table 8.12: Details of CPSEs where MPS not achieved

Sl. No.	Company	Close Price as on 03.08.2018	Market Capitalization as on 03.08.2018	Share holding of Government (%)	Public Share holding (%)	Shortfall (%) (as on 30.6.2018)	Amount (₹ in crore)
1	Coal India Limited	278.5	172876.35	78.32	21.68	3.32	5,740.54
2	The New India Assurance Co. Limited	282.35	46531.28	85.44	14.56	10.44	4,856.42
3	KIOCL Limited	169.45	10751.84	99	1	24	2,580.03
4	Mangalore Refinery & Petrochemicals Limited	84.05	14730.59	88.58	11.42	13.58	2,000.88
5	SJVN Limited	27.05	10630.1	90.62	9.38	15.62	1,659.9
6	ITI LTD.	93.85	8418.34	93.76	6.24	18.76	1,579.03
7	NLC (India) Limited	78.8	12045.12	83.93	16.07	8.93	1,076.02
8	MMTC Limited	33.9	5085	89.93	10.07	14.93	759.03
9	HMT Limited	23.45	2823.59	93.69	6.31	18.69	527.6
10	India Tourism Development Corporation Limited	402.85	3455.22	87.03	12.97	12.03	415.52
11	The Fertilizers & Chemicals Travancore Limited	42.3	2737.11	90	10	15	410.57

12	Andrew Yule & Co. Limited	24.6	1202.82	89.25	10.75	14.25	171.37
13	The State Trading Corporation of India Limited	142.55	855.3	90	10	15	128.29
14	Hindustan Photo Films Mfg. Company Limited	30	620.6	90	10	15	93.09
15	Hindustan Copper Limited	63.8	5902.89	76.05	23.95	1.05	61.72
16	Scooters India Limited	38.5	328.72	93.74	6.26	18.74	61.59
17	Madras Fertilizers Limited	29.4	473.64	85.27	14.73	10.27	48.63
						Total	**22,170.23**

Source: www.bsepsu.com

From the table, it can be seen that 17 CPSEs have not met the requirement of SCRR norms for MPS as of June 2018. The market value of the equity shares which were still required to be offloaded by the GoI to achieve the MPS norms worked out to ₹22,170.23 crore.

DIPAM replied (June 2019), that keeping in view problems faced by DIPAM and Administrative Ministries, DEA vide its notification dated 03 August 2018, further extended the period up to 21 August 2020. DIPAM also replied that the concerned Ministries had been asked to prepare a Road Map to ensure compliance with MPS within deadline, adding that the progress made in this regard would be closely monitored by Secretary (DIPAM), Secretary (DEA), Secretary (DPE) & Secretary (DFS).

The reply of DIPAM contained CPSE-wise roadmap for achieving MPS norms, which indicated that out of the 17 CPSEs, in case of one CPSE, the Company was ordered to be wound up and in case of another CPSE, the company had initiated the process for capital restructuring. It was evident that for the remaining 15 CPSEs, there was no individual timeline by which the CPSE was to achieve the MPS norms. As half the extended period is nearing completion, the current status indicates that the roadmap required better monitoring.

8.11 Slow pace of listing of unlisted CPSEs

The Cabinet Committee on Economic Affairs (CCEA) in its meeting held on 23 October 2009 approved (5 November 2009) the disinvestment policy which, *inter alia*, envisaged listing on the stock exchanges of all the unlisted CPSEs having a positive net worth, no accumulated losses, and having earned net profits in three preceding years with an important objective of listing of CPSEs to promote the development of 'people-ownership' by encouraging people's participation in shareholding of CPSEs.

As per the data available on www.bsepsu.com and the Public Enterprises Survey Report 2016-17 of the Department of Public Enterprises, Audit observed that as on 31 August 2018, only 59 CPSEs were listed even though there were 90 CPSEs with Net Worth of

₹ 1,59,283.66 crore which had earned profits in preceding three years (2014-15 to 2016-17), thereby fulfilling the requisite criteria for listing on the stock exchanges.

DIPAM replied (June 2019) that the approval of the CCEA was taken in April 2017 to list CPSEs having positive net worth above ₹ 1,000 crore, positive PAT in 3 consecutive preceding years. DIPAM also replied that the listing of a company was also a function of liquidity in the market, market interest in the company etc., therefore, it was advisable to maintain reasonable time gap between the listing of CPSEs as it might be otherwise result in lower valuations & tepid investor response. DIPAM further replied that CPSEs viz. CSL, HAL, BDL, MIDHANI, GRSE, RITES, IRCON, RVNL, MSTC had been listed upto June 2019 and additionally, listing of CPSEs viz. KIOCL, MDL, IRCTC, NEEPCO, THDCIL, RAILTE & IRFC was in pipeline and efforts were on to get them listed in the current FY 2019-20 depending on the market conditions.

The response of DIPAM regarding efforts made have to be seen in the light of the fact that out of 90 CPSEs mentioned above, only three CPSEs were listed through IPO.

(Venkatesh Mohan)
Deputy Comptroller and Auditor General
and Chairman, Audit Board

New Delhi
Dated: 29 November 2019

Countersigned

(Rajiv Mehrishi)
Comptroller and Auditor General of India

New Delhi
Dated: 29 November 2019