

Dipam to List CPSEs with 51% Govt Ownership Clause in Pacts

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New Delhi: In a bid to prevent a possible roadblock to the government's disinvestment push, the department of investment and public asset management (Dipam) has begun identifying central public sector enterprises (CPSEs) which may be facing issues with the clause of having their government shareholding at 51% in lending agreements.

A senior official said that the onus of renegotiation of such pacts will be on the companies, following which the department will approach the Cabinet for a fresh approval.

The official added that issues could arise where government shareholding of 51% is mentioned in lending contracts or bond agreements that the CPSEs may have signed with lenders or joint venture partners. In such cases, the contracts will have to be renegotiated and a fresh round of approvals will be needed.

"In cases where the contracts mention that 'government will control 51%' of the company, it will not be a

Major Roadblock

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Onus of renegotiation on CPSEs



problem. But in cases where '51% government shareholding' is mentioned, the company management will have to renegotiate the lending agreements keeping in view that the go-

vernment will continue to be in control," the official said.

"In cases where the due diligence will be done, we will take them to an alternative mechanism, get approval from a group of ministers (GoM), then take to Cabinet and get approval... this will be done on a case-to-case basis," the official added.

Quick action by companies will mean faster resolution of the issue and faster movement towards disinvestment, the official added.

The issue rose after the Cabinet Committee on Economic Affairs (CCEA) in November, approved 'in-principle' the reduction of government-paid-up share capital below 51% in select CPSEs, while retaining the management control on a case-to-case basis. The move included government shareholding and shareholding of government-controlled institution.

The official added that instances of renegotiation of lending pacts has taken place in the past. "It's been done before also, HPCL renegotiated with its lenders, when it was sold to ONGC... lenders agreed, as long as the government is in control."