P.N. No.172 **Date:07-07-2013**

Text of the D.O. letter dated 7.7.2013 addressed by **Selvi J Jayalalithaa,** Hon'ble Chief Minister of Tamil Nadu to **Dr. Manmohan Singh**, Hon'ble Prime Minister of India is reproduced below:

"One of the most emotive issues in Tamil Nadu today is the proposed disinvestment of a further 5 per cent of the Government of India's equity in Neyveli Lignite Corporation (NLC). NLC is the largest Navratna Central Public Sector Undertaking in Tamil Nadu employing more than 25,000 persons and generating 2490 MW of power for the Southern Region. The proposal for disinvestment of NLC's equity has raised very serious apprehensions in the minds of the workers and has led to major labour unrest. The people of Tamil Nadu are also strongly in favour of preserving the public sector character of NLC. Hence, all along, any proposals to disinvest Government of India's equity holding have been consistently opposed by political parties and the State Government of Tamil Nadu. **I had written to your predecessor as early as on 22.4.2003 opposing the proposed disinvestment.** Now, when the issue of disinvestment came up again, **I have written to you thrice on 23.5.2013, 22.6.2013 and 25.6.2013 on this matter,** which clearly indicates the great importance of the issue to the State of Tamil Nadu.

I have already pointed out that the justification for the disinvestment based on the so-called mandatory requirement as per the Securities Contracts (Regulation) Rules, 1957, after the amendments effected in 2010, is specious and artificially created. To overcome this situation, I suggested two options of either buying back the shares of NLC from the public and thereafter delisting the company from the stock exchanges, or of amending the relevant Rule in the SCRR, 1957, to grant a special exemption to NLC. Both were viable alternatives that the Government of India chose to dismiss. In fact, in a reply to me dated 8th June, 2013, you had indicated that the option of buying back the shares would send negative signals to the financial markets. It is a matter of great disappointment to all of us that signalling to the financial markets took precedence over the welfare of thousands of workers and the deep felt concerns and apprehensions of the people of Tamil Nadu. By placing the immediate prospect of raising Rs.466 crore from the disinvestment in NLC above the aspirations of the people of Tamil Nadu to maintain the public sector character of Neyveli Lignite Corporation, we feel that the Government of India has displayed its insensitivity.

I have repeatedly brought to your notice the labour unrest that the decision to disinvest would cause and the probable impact of such unrest on the precarious power situation of the State. Tamil Nadu has been undergoing a severe power deficit, which was an unpleasant legacy thrust upon the State by the previous Government. **The present Government, under my leadership, has strained every nerve to resolve the power crisis.** The cumulative power shortage of 4000 MW left by the lassitude of the previous Government had to be tackled by my Government by systematically planning, executing and commissioning new projects. Owing to the concerted efforts of the present Government under my direct supervision, the Mettur Thermal Power project of 600 MW capacity, two units of the Thermal Power Project at Vallur of 500 MW capacity each, and the North Chennai Thermal Power Project Unit II of 600 MW capacity, have all started generating power. These and other energy conservation measures taken have now yielded results and the State is poised to overcome the power shortage. Tamil Nadu is now able to manage the power situation with least inconvenience to the people and industry.

At such a critical juncture, when the herculean efforts taken by my Government are stabilising the power situation in the State, the totally uncalled for stand of the Government of India on a strategic issue of the shareholding in the NLC has forced a totally avoidable strike in the Public Sector Undertaking. This could have a crippling impact on the power availability in the State and undo all the hard work done by the present Government to stabilise the power situation. Out of the generation from NLC units of 2490 MW, the share of Tamil Nadu is 1178 MW. The labour unrest will result in Tamil Nadu not only losing this 1178 MW of power, but also will prevent the State from drawing an additional 200 MW because of the consequential loss of inter-state transmission capacity of power amongst the Southern States. If the unrest persists, an additional power deficit of 250 MW may occur due to the non-availability of lignite for TAQA Independent Power Producer (IPP), a private sector lignite based power plant at Neyveli dedicated to Tamil Nadu, which depends upon NLC for its fuel supplies. These shortages will entail additional power cuts and suffering for the people of Tamil Nadu. Not only this, the entire South will be affected by the loss of about 2500 MW, making the management of the Southern grid extremely difficult.

In my letter dated 25th June, 2013, **I had clearly outlined a solution by proposing that the 5 % Government of India's shareholding in Neyveli Lignite Corporation be offered to one or more of the Government of Tamil Nadu's State Public Sector Undertakings** like the Tamil Nadu Industrial Development Corporation (TIDCO), State Industries Promotion Corporation of Tamil Nadu (SIPCOT) and Tamil Nadu Industrial Investment Corporation (TIIC) which come within the definition of 'Qualified Institutional Buyers' (QIBs) and hence would be eligible to purchase the shares of Neyveli Lignite Corporation under an Institutional Placement Programme. Such entities also fall within the meaning of "public" as defined under Rule 2(d) of the Securities Contracts (Regulation) Rules, 1957. Offer of shares to these Public Sector Undertakings will ensure that the Neyveli Lignite Corporation will be compliant with Rule 19(2) and Rule 19A of the Securities Contracts (Regulation) Rules. It is learnt that SEBI had formally offered to the Neyveli Lignite Corporation as one of the options, the possibility of arriving at a special procedure on a case by case basis for the off-loading of shares by the Government of India. Clearly, it appears that working out an arrangement to offload 5 per cent equity, or even 3.56 per cent of the equity, to meet the target of 10 per cent, to Government of Tamil Nadu owned Public Sector Undertakings is something that SEBI can quite easily work out. The Government of India should immediately accept my proposal to sell the minimum required equity under the relevant regulations to State Public Sector Undertakings of Tamil Nadu and also direct the SEBI to quickly work out the modalities of such a transaction.

The delay on the part of the Government of India will put the people of Tamil Nadu to extreme hardship, which I have tried very hard to avert by offering you a number of feasible alternatives to avoid disinvestment in NLC, even at a great financial cost to the State Government.

Therefore, I urge you to take a fresh look at the whole issue in the light of the viable suggestions which have already been made to you by me and to help avert this wholly avoidable crisis affecting the people of Tamil Nadu."

****

Issued by: Director, Information and Public Relations, Chennai – 600009.
Date: 7.7.2013.