



Bill Summary

The Tyre Corporation of India Limited (Disinvestment of Ownership) Bill, 2007

- The Tyre Corporation of India Limited (Disinvestment of Ownership) Bill, 2007, was introduced in the Lok Sabha on May 17, 2007. It was referred to the Standing Committee on Industry (Chairperson: Santosh Bagrodia), which submitted its report on August 14, 2007.
- The Tyre Corporation of India Ltd (TCIL) was incorporated as a wholly owned Government of India Enterprise on March 5, 1984. It has been classified as a sick industrial company as defined in the Sick Industrial Companies (Special Provisions) Act, 1985. The Board for Industrial and Financial Reconstruction (BIFR) has recommended for financial and capital restructuring of TCIL. The approval of Parliament is necessary for changing the public character of the company according to the Supreme Court decision in the Centre for Public Interest Litigation Vs. Union of India (2003) 7 SCC 532. The Tyre Corporation of India Limited (Disinvestment of Ownership) Bill, 2007 seeks to empower the Central Government to carry out disinvestment.
- The central government may disinvest its shares (a) by making a public offer or preferential allotment or private placement or (b) by directing the company to make further issue of equity capital to the members of the public or preferential allotment or private placement. The offer on issue shall be in accordance with such procedure as applicable in case of government companies.
- Except for the Chairman and Directors, all employees of the company shall continue in their position on the same terms and conditions for a year after the date of disinvestment unless they wish to resign.
- The Standing Committee made a series of recommendations on the Bill
 - Requisite information regarding valuation of the company, terms of proposed joint venture and the prospects of the company, should be presented when the Bill is tabled.
 - The Standing Committee questioned whether the Bill could work without amendments to the existing Inchek Tyres Ltd and National Rubber Manufacturers Limited (Nationalisation) Act, 1984. It questioned whether such an amendment might serve the purpose of the proposed Bill better than the proposed legislation.
 - Valuation of lands, assets and liabilities should be aligned with the valuation methodology prescribed by Department of Disinvestment instead of confining the valuation on the basis of book value.
 - Relevant provisions should be incorporated in the Bill to prevent diversion of usage of land as per the norms of valuation prescribed by the Department of Disinvestment. The Standing Committee on Finance had found the asset valuation guidelines inadequate and vague on the issue of valuation of land and had accordingly recommended “the land should be valued separately.” Land, therefore, should be valued separately in the case of TCIL, as well.
 - The service conditions of the employees should either be retained for three years from the date of disinvestment or only such changes should be made that do not adversely impact the existing service condition.

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