

PSU selloff in State could run foul of 1/70

FROM OUR BUREAU

Hyderabad, March 29: There seems to be another Balco in the making with the Centre seeking the opinion of Attorney General Soli Sorabjee on the disinvestment of a public sector unit located in a scheduled area in Khammam district.

The disinvestment of Sponge Iron India Limited, a public sector unit, could violate the Section 1 of the Tribal Land Act, 1970. After obtaining clearance from the Law Ministry, the Centre has sought Sorabjee's opinion on whether the sell-off would go against the Supreme Court judgement in the famous Samata case.

The apex court had ruled in the *State of Andhra Pradesh vs Samata* case in 1997 that in the scheduled areas, land ownership shall not be vested with anyone except the State or its instrumentalities or tribal cooperatives. The Supreme Court had ordered scrapping of mining leases in scheduled areas with retrospective effect from 1952.

The Disinvestment Commission identified the sponge iron plant which supplies scrap to steel industry as a "non-core" unit and recommended disinvestment of 100 per cent of GoI equity "after clearing up the balance sheet viz by writing off GoI loans and accumulated interest thereon."

SIIL was incorporated on March 18, 1975 as a subsidiary of AP State Industrial Development Corporation. Later it became a PSU in which the Centre held 97 per cent share. The paid-up capital in the plant is Rs 32.58 crore. The

■ Turn to Page 6

PSU sale may run foul of 1/70

FROM PAGE 1

LINE 8

Law Ministry holds the opinion that disinvestment of SIIL would mean only sale of shares and not the company.

Thus, it would not involve transfer of land owned by the company. However, experts and mining activists say any move to disinvest SIIL in Khamman would go against Section 1 of 70 of Tribal Land Transfer Act, 1959 which strictly prohibits change in ownership status from a tribal or State or its instrumentality to a non-tribal.

"In the Bharat Aluminium Corporation case, the

government argued that it did not transfer the land and sold only the shares as it did not violate the MP Land Revenue Code. But in AP due to the I of 70 Act, any attempt to sale SIIL will tantamount to defying the Supreme Court order in Samata case," Samata executive director Ravi Pragada said.

Noted advocate Srinivasa Murthy said, "any disinvestment will mean literally handing over control to a private party.

"Thus, it ceases to be an instrumentality of the State. When it is not an instrumentality (prospective buyer of SIIL), it can't be disinvested in a Scheduled area as per Samata judgement."