

Guidelines for bank finance for PSU Disinvestments

DBOD. BP. BC. 34 / 21.04.137/ 2003- 2004

15 October 2003

All Scheduled Commercial Banks
(excluding RRBs & LABs)

Dear Sir,

Guidelines for bank finance for PSU Disinvestments

Please refer to paragraph 5 of Circular No. DBOD. BP. BC. 83/ 21.04.137/ 2002- 2003 dated 21 March 2003 advising banks that Special Purpose Vehicles (SPVs) complying with certain conditions would not be treated as investment companies and therefore would not be considered as NBFCs and hence would be eligible for bank finance for PSU disinvestments of Government of India. The position has been reviewed and banks are advised that only those SPVs which comply with the following conditions viz ;

- (a) They function as holding companies, special purpose vehicles, etc. with not less than 90 per cent of their total assets as investment in shares held for the purpose of holding ownership stake,
- (b) They do not trade in these shares except for block sale,
- (c) They do not undertake any other financial activities, and
- (d) They do not hold/ accept public deposits

would not be treated as investment companies and therefore would not be considered as NBFCs for the limited purpose of being eligible for bank finance for PSU disinvestments of Government of India, subject to compliance with the other guidelines issued vide our Circulars Nos. DBOD. BP. BC. 17 and 83/ 21.04.137/ 2002-2003 dated 16 August 2002 and 21 March 2003 respectively.

- 2. All other instructions specified in the above Circulars remain unchanged.
- 3. Please acknowledge receipt.

Yours faithfully,

(B. Mahapatra)
Chief General Manager