

**Preliminary Information
Memorandum**

For

**Sale of Assets & Business of Co-
operative Spinning Mills**



Department of Public Enterprises
Government of Orissa
September 2003

TABLE OF CONTENTS

1. DISCLAIMER	3
2. THE PROCESS	4
2.1 PART I	4
2.2 PART II	4
3. SUBMISSION OF EXPRESSION OF INTEREST	5
3.1 INTRODUCTION	5
3.2 INSTITUTIONAL ARRANGEMENT	5
3.3 ADVERTISEMENT	5
3.4 ELIGIBILITY/PRE-QUALIFICATION CRITERIA	6
3.5 EXPRESSION OF INTEREST	6
3.6 DISQUALIFICATION	7
3.7 ENQUIRIES	8
3.8 GOVERNING LAW/JURISDICTION	9
4. PROFILE OF MILLS	10
4.1 INTRODUCTION	10
4.2 LOCATION	10
4.3 OWNERSHIP & MANAGEMENT	10
4.4 FACILITIES	11
4.4.1 MAJOR FIXED ASSETS AT ORICO SPIN	11
4.4.2. MAJOR FIXED ASSETS AT KALICO SPIN	12
4.5 CAPACITY & PRODUCTS	13
4.6 EMPLOYEES	13
5. ANNEXURES	15
5.1 ADVERTISEMENT	15
5.2 EXPRESSION OF INTEREST	16
5.3 STATEMENT OF LEGAL CAPACITY	18
5.4 REQUEST FOR QUALIFICATION	19
5.5 GUIDELINES FOR QUALIFICATION	20

1. DISCLAIMER

Adam Smith Institute (ASI) has prepared this Preliminary Information Memorandum (PIM) on the basis of information provided by the Spinning Mills at Bargarh & Dhenkanal, the SPINFED in connection with the proposed sale of assets & business by Government of Orissa (GoO). The sole purpose of this PIM is to assist potential investors to participate in the aforesaid divestment.

This document is meant to aid the potential investor in deciding whether they wish to proceed with a further investigation of the proposed sale, but it is not intended to form the basis of any investment decision. This document does not constitute nor should it be interpreted as an offer or invitation for the sale or purchase of securities.

This document is meant to provide information only and upon the express understanding that recipients will use it only for the purpose set out above. It does not purport to be all-inclusive or contain all the information about the Spinning Mills at Bargarh & Dhenkanal or be the basis of any contract. No representation or warranty expressed or implied, is or will be made as to the reliability, accuracy or the completeness of any of the information contained herein. It shall not be assumed that there shall be no deviation or change in any of the herein mentioned information on the Spinning Mills. While this document has been prepared in good faith, neither the Spinning Mills nor GoO and its various departments, undertakings associated with this transaction nor ASI nor any of their respective officers or employees make any representation or warranty or shall have any responsibility or liability whatsoever in respect of any statements or omissions here from. Any liability is accordingly expressly disclaimed by the Spinning Mills, GoO, ASI and their respective officers or employees even if any loss or damage is caused by any act or omission on the part of the Spinning Mills, GoO, ASI or any of their respective officers or employees, whether negligence or otherwise.

Accordingly, interested investors should carry out an independent assessment and analysis of the Spinning Mills and of information, facts and observations contained herein.

This document has not been filed, registered or approved in any jurisdiction.

2. THE PROCESS

2.1 PART I

In the first stage, the interested parties would be required to submit Expression of Interest (EoI) and Request for Qualification (RfQ) as per the formats appearing in the **Annexure 2 & Annexure 4** which would be used for pre-qualifying the interested parties as per the criteria provided in this document. If at any time during the evaluation process, the GoO or ASI require any clarification in order to carry out the evaluation, they reserve the right to request such information from any or all of the interested parties and the interested parties will be obliged to respond to any reasonable requests for such information and to supply the same to ASI within such reasonable timeframe as the GoO or ASI may require.

2.2 PART II

Based on the evaluation of EoIs received, interested parties, which are deemed fit (“Qualified Interested Parties”, QIPs) will be qualified to participate in the subsequent selection process (without conferring any right to QIPs). The QIPs will be required to execute a “Confidential Agreement” in favour of GoO and then they will be supplied with a “Bid Pack” containing the Confidential Information Memorandum (CIM), the Request for Proposal (RfP), the Draft Agreements by the Advisors. The process thereafter would be as specified in the RfP.

The QIPs will get an opportunity to conduct due diligence and take up plant visits and will also have access to data rooms and hold discussions with the management of the Spinning Mills, GoO officials from the Department of Textiles & Handlooms, the Director, Textiles, the Department of Public Enterprises. The rules regarding access to information in the data room will be provided to QIPs subsequently. The QIPs will be subsequently invited to submit their proposal and a binding price bid.

This document constitutes no form of commitment on the part of GoO or the Spinning Mills other than to provide further information on the Spinning Mills. Furthermore, this document confers neither the right nor an expectation on any party to participate in the proposed transaction. GoO and the Spinning Mills reserve the right to withdraw from the process or any part thereof or vary terms at any time without assigning reasons. GoO reserves the right to accept or reject any/all offer (s) without assigning any reasons.

3. SUBMISSION OF EXPRESSION OF INTEREST

3.1 INTRODUCTION

As part of its economic restructuring programme, the Government of Orissa has taken up measures to reform its portfolio of state owned enterprises and enterprises in co-operative sector engaged in commercial activities. This reforms programme is widely known as Orissa Public Enterprises Reforms Programme (OPERP). Privatisation/Disinvestment of these enterprises is an integral component of the reforms programme.

The proposed sale of assets and business of the two Spinning Mills belonging to SPINFED is being taking place under this programme.

The Department of Public Enterprises (DPE) is acting as the 'nodal agency' to implement the enterprise reforms programme assisted by its advisors, the Adam Smith Institute.

3.2 INSTITUTIONAL ARRANGEMENT

To ensure that the programme delivers the desired results, the GoO has constituted a three-tier institutional framework for faster decision-making. At the base, there is the Inter-Departmental Core Group (IDCG) chaired by the Secretary of the concerned administrative department with Secretary, DPE, Special Secretary, Finance, representative from Law Department, the Managing Director of SPINFED and the Managing Directors of the Spinning Mills as the members. The IDCG is responsible for all decisions pertaining to management of disinvestment process including identification of preferred bidder.

The next tier is the Restructurisation Committee chaired by the Chief Secretary, the Finance Secretary, the Development Commissioner, the Agriculture Production Commissioner, the Secretary, Labour, the Secretary, Textiles & Handlooms and the Secretary, Public Enterprise Department. This committee takes a review of the processes and methodologies adopted to arrive at the preferred bidder.

At the top is the Cabinet Committee on Disinvestment (CCD) under the chairmanship of the Chief Minister with Minister of State, Finance, Minister, Industries & PE, Minister, Health, Minister, Revenue & Law as the permanent members and the Minister of the concerned department as special invitee. This body accords the final approval for sale and the decision of this committee is deemed to be the decision of the Cabinet.

3.3 ADVERTISEMENT

An advertisement announcing GoO's intention to sale the assets & business of the Spinning Mills has been issued in leading business daily and in all the local newspapers inviting interested parties to submit Expression of Interest to participate in the bid process. A copy of the advertisement is enclosed at **Annexure 1**.

3.4 ELLIGIBILITY/PRE-QUALIFICATION CRITERIA

The Party (ies) interested to participate in the divesture process must have

- A. Sound credibility;
- B. Good industrial relations practices;
- C. Good track record of business performance;
- D. Financial capacity to take over the Mill (s);
- E. Commitment to run the Mill (s);
- F. Interest to expand, integrate the Mill (s) over a reasonable period of time;

3.5 EXPRESSION OF INTEREST

This section describes the manner of participating in the Part I of the proposed transaction and the requirements relating to information to be provided by interested parties, when submitting their Expression of Interest (EoI).

Expression of Interest may be submitted by all domestic companies (whether currently existing or to be formed specifically to acquire the assets & business of the Spinning Mills) either individually or as a consortium.

Interested parties must submit, in duplicate, their EoI accompanied by a Statement of Legal Capacity and Request for Qualification (“RFQ”) the {“EoI Package”}, as per the formats given in the Annexures of this PIM.

EoIs must be signed by a duly authorized representative of the interested party. In the case of a consortium or joint venture, the EoI must be signed by a duly authorized representative for the group. In addition, Statements of Legal Capacity and RfQs have to be submitted by interested parties and each member of any consortium or joint venture. This comprises the EoI Package.

All EoI Packages must be in English and each copy shall be bound in a separate volume. Submission of the aforesaid documents by fax, e-mail or other electronic means will not be acceptable. It is the responsibility of the interested party(ies) alone to ensure that its EoI with required documents is delivered at the address given below by the stated time and date. The covering envelope containing the aforesaid document should be clearly marked “Expression of Interest for participation in Sale of Assets & Business of Spinning Mills”. Neither the GoO nor the Spinning Mills shall be responsible for non-receipt of correspondence.

The EoI package must be submitted by no later than 18.00 hours (Indian Standard Time) on **18 October 2003** at the following address:

C.V.Mahadev Rao
Adam Smith Institute
1295, Forest Park
Bhubaneswar- 751 009
Tel: (0674) 2534495, 2536550
Fax: (0674) 2535479
E-mail: mahadevrao@satyam.net.in

The RFQ should be duly filled in and accompanied by the following:

In case of a sole bidder

1. The Audited Balance Sheet and Profit & Loss Account of the sole bidder for the last 3 financial years
2. Write-up on:
 - a. Profile of the sole bidder
 - b. A statement of reasons for interest in Spinning Mill (s)
 - c. Any other information considered material

In case of a consortium bid

1. The audited Balance Sheet and the Profit & Loss Account for the last 3 financial years of the lead bidder and other member companies associated in the bid.
2. Write-up on:
 - a. Lead bidder
 - i. Profile of the lead bidder
 - ii. A statement of reasons for interest in the Spinning Mill (s)
 - iii. Any other information considered material by the lead bidder
 - b. Other member companies
 - i. Profile of member companies in the consortium
 - ii. Any other information considered material

If a Consortium or Joint Venture is formed, or proposed to be formed, specifically for the purpose of this investment, details of the members of the Consortium or Joint Venture and the extent of their interest herein must be provided in the EoI Package.

Any subsequent change by way of withdrawal/substitution of any member of the consortium or joint venture or any change affecting the composition of the consortium or joint venture may be permitted, but only with the specific approval of the GoO. The GoO has the sole discretion to determine the impact of the change in membership on the structure and quality of the Consortium or joint venture and reject a proposal without assigning any reason whatsoever.

3.6 DISQUALIFICATION

The GoO shall not consider for the purpose of qualification, an EoI, which is found to be incomplete in content and/or attachments and/or authentication etc.

Without prejudice to any other rights or remedies available to the GoO, a company/consortium/joint venture may be disqualified and its EoI dropped from further consideration for any reason whatsoever including those listed below:

1. Material misrepresentation by such company/any member of such consortium/joint venture whether, in the EoI along with the RfQ or otherwise

2. Failure by such company/ consortium/ joint venture to provide the information required to be provided in the EoI, along with the RfQ, pursuant to relevant sections of the PIM
3. Submission of an EoI along with RfQ in respect of any company/ consortium/joint venture, where such company or any member of such consortium/ joint venture has already submitted an EoI

If information becomes known, after the interested party has been qualified to receive the Confidential Information Memorandum (CIM), which would have entitled the GoO to reject or disqualify the relevant company/ consortium/ joint venture, the GoO reserves the right to reject the interested party at the time, or at any time after, such information becomes known to the GoO.

Where the interested party is a consortium/ joint venture, the GoO may disqualify the entire consortium/ joint venture for any of the reasons set out above, even if it applied to only one member of the consortium/ joint venture.

Further, Government of India has issued guidelines for disqualification of bidders seeking to acquire any public sector enterprises through the process of disinvestment vide Department of Disinvestment OM No.6/4/2001-DD-II dated 13th July, 2001 and amendments thereto, a copy of which is enclosed at the Annexures. The GoO has decided follow the same guidelines in respect of its disinvestment process. The interested party(ies) are required to read the guidelines and satisfy themselves that they are qualified to bid to acquire the assets & business of the Spinning Mill (s) through the process of disinvestment and give an undertaking to the effect that they are qualified to bid for the same in the Expression of Interest to be submitted by them. Further, interested parties would be required to provide the information on the criteria, laid down in the guidelines of 13.07.2001 and amendments thereto along with their Expressions of Interest (EOI). The bidders shall be required to provide with their EOI an undertaking to the effect that no investigation by a regulatory authority is pending against them. In case any investigation is pending against the concern or its sister concern or against its CEO or any of its Directors/Managers/employees, full details of such investigation including the name of the investigating agency, the charge/offence for which the investigation has been launched, name and designation of persons against whom the investigation has been launched and other relevant information should be disclosed, to the satisfaction of the Government. For other criteria also, a similar undertaking shall be provided along with EOI.

The companies/consortia not satisfying the eligibility and requisite qualification criteria specified in the above sections are not eligible.

3.7 ENQUIRIES

The GoO and the Advisor reserve the right not to respond to questions raised or provide clarifications sought, in their sole discretion, if it is considered that it would be inappropriate to do so. Nothing in this section shall be taken or read as compelling or requiring the GoO and the Advisor to respond to any question or to

provide any clarification. No extension of any time and date referred to in this PIM shall be granted on the basis or grounds that the GoO and the Advisor has not responded to any question/ provided any clarification.

3.8 GOVERNING LAW/JURISDICTION

All matters relating to the proposed sale process and the bidding procedure shall be governed by the law of Union of India. Only Courts at Bhubaneswar (with exclusion of all other Courts) shall have the jurisdiction to decide or adjudicate on any matter, which may arise.

4. PROFILE OF MILLS

4.1 INTRODUCTION

Through divestiture of the two spinning mills in favour of private investors, the GoO seeks to protect these mills from further deterioration and sub-optimal performance to which these mills have been accustomed. The GoO, further, desires to improve and increase the economic activity in the region where these mills are located and also protect as much employment as possible.

The mills on offer are;

1. The Orissa Weavers Co-operative Spinning Mills Ltd (ORICO SPIN)
2. The Kalinga Weavers Co-operative Spinning Mills Ltd (KALICO SPIN)

In order that the present offer attracts the maximum response from potential investors committed to further GoO's larger goals, only the assets and business of the mills are offered with the exclusion all liabilities. In other words, the investors would be acquiring clean and unencumbered assets.

The Orico Spin commenced commercial production in the year 1970, while Kalico Spin started its operation in 1974. These two mills are the first and second spinning mills established in the co-operative sector in the state. At present both the mills are not operating.

The interested investors are bound to operate the mill from the same location and there is a clear restriction on 're-location and/or stripping of assets'.

4.2 LOCATION

ORICO SPIN is located at Tora, Bargarh at a distance of 2 Km from the National Highway No 6 connecting Kolkatta and Mumbai. The National Highway No 42 connects the place to the state capital Bhubaneswar, which is 360 Kms from the Mill. Raipur, the capital of Chhatisgarh State is just 240 Kms from the Mill. The Hirakud Dam Project is about 35 Kms from the Mill.

On the other hand, the KALICO SPIN is located at Gobindapur just seven Kms before Dhenkanal. The Mill is just 3 Kms from the National Highway No 42 and the state capital is about 70 Kms from the Mill.

4.3 OWNERSHIP & MANAGEMENT

The Spinning Mills at Bargarh and Dhenkanal are established in the co-operative structure and the share capital is contributed by Primary Weavers' co-operative societies, Power loom societies and Cotton Societies besides the state government. The state owes the majority of the shareholding and it has from time to time extended guarantees to these mills to avail long-term finance.

The Mills are managed by a “management committee” consisting of members elected from among the shareholders, members nominated by GoO and outside people. The GoO appoints the executive head and all the decisions pertaining to the management of the mill vests in that person.

At the apex level, the Spinning Mills have a federation called the Orissa State Co-operative Spinning Mills Federation Ltd (SPINFED), which provides marketing support and allied technical expertise to these spinning mills.

At present there are no ‘management committees’ existing for the two mills and the management has been vested with the respective District Collectors. For sometime, these Mills operated on ‘conversion’ basis.

4.4 FACILITIES

Adequate facilities in terms of power, water, sanitation, surrounding walls and others are available at each of the Mills for smooth operation. Some of the facilities might have been run down due to lack of proper maintenance and care. GoO has hired the services of well-known experts in the spinning industry to undertake an in-depth review of the assets and their continued utility to run the mills. The views expressed by these experts are positive and GoO is willing to provide a copy of the report to interested parties.

4.4.1 MAJOR FIXED ASSETS AT ORICO SPIN

The table below gives a brief of major fixed assets available at Orico Spin, Bargarh. The Mill is situated over 31.97 acres of land.

A. Plant & Machinery

Sl No	Item Description	Qty	Year
	Main equipment		
1	Ginning machines	4	72-82
2	Blow room machines	2	79-89
3	Carding machines	36	70-92
4	Draw frame	10 sets	70-84
5	Speed frame	12 sets	75-89
6	Ring frames:		
	Texmaco Japan 400 spindles	9	1970
	LMW 400 spindles	16	1974
	ME1 440 spindles	27	1982
	Texmaco High spin 440 spindles	23	1990
7	Comber	2	1982
8	Lap former with spool	1	1982
9	Reeling	85	70-83
10	Ring doubler	6	81-83
11	Double winding	2	1982
12	Cone winding mc	2	74-89
13	Bundling mc	5	70-85
14	Baling press – 120 ton	1	1970
15/17	Dyeing plant		
18/21	Diesel generator 1 x 204 KW 1 x 400 KW	3	85-89
22/35	Compressors	11	74-81
36	Boiler – oil fired 1.5t/hr	1 set	1970
37/8	Duct air unit	15 sets	70-85
39/42	Humidification plant	3	70-82
43/46	Pneumafil unit for ring frame	81	70-91
47/58	SQC equipment		
59/75	Carding accessories		

76/90	Electrical installations		
91/06	Water supply and sanitary installation		
107/13	Workshop equipment		
114/20	Weighing machines and scales		
121/26	Vehicles	6	76-86
127/32	Fire fighting equipment		
133/37	Water coolers and fridges	7	
138/45	Air conditioners	10	
	Sundry other		

B. Buildings & Structures

SI No	Item Description	Plinth area m ²
1	Main factory building: Blow room Carding Simplex Ring frame Bundling and baling Cone packing etc	5,668.95
2	Ancillary building	5,136.07
3	Cotton godown	713.57
4	Waste cotton godown	481.76
5	Store	265.07
6	Workshop	139.53
7	Mixing room	139.53
8	Ginning shed	136.16
9	Cotton godown	412.03
10	Creche	141.37
11	D G Shed	180.00
12	Drying shed	458.80
13	Control room	232.02
14	Canteen	178.33
15	Yarn godown	58.67
16	Yarn godown	174.69
17	Cycle stand	163.80
18	Workers rest shed	109.86
	Residential units etc in township	
19/35	50 houses – various sizes	
36/47	Security posts/co-ops/club/garage etc	
	Compound wall	
	Roads	
	Wells etc	

4.4.2. MAJOR FIXED ASSETS AT KALICO SPIN

The tables below list some of the major fixed assets available at Kalico Spin, Dhenkanal. The Mill has 51. 86 acres of land.

A. Plant & Machinery

Section	Item Description	Qty	Year
Ginning	Double roller	1	1982
Blow room	2 lines x 2 scutchers	2	1978
Carding	MMC make India roll	32	1979
Drawing	DO/28 Modle	12	78/81
Speed frame	LMW-LRGS modle	12	78/81
Ring frame	LR make DJ/5	56	78/81
Double frame	Texmaco – cone creel type	2	78/80
Cone winding	Texmaco	3	78/80
	Wismaco	1	80/81
Reeling	Kasturi	88	78/82
	Robusta	16	78/82
	Charlie	12	78/82
Bundling press	Kasturi	3	1978
Baling press	PSG Industrial	1	1979
Waste openers	Willow mc	1	1983

	Roving end opener	1	1983
	Bonda opener	1	1983
Humidification		1	1978
Boiler	Western Work 2,500 kg/hr	1	1983
Water treatment		1	1984
Pump house		5	80/82
Generators		2	
Switch yard equipments		1	1979
Weigh mcs		15	
Laboratory	Testing machines		
Workshop	Various		

B. Buildings & Structures

Sl No	Item Description	Plinth area m ²
1	Main factory building: and various small rooms	6,683
2	Yarn godown (store and purchase office)	617
3	Cotton godown No 1	89
4	Cotton godown No 2	1,164
5	Boiler house	101
6	Hydrant tank	294
7	Hydrant pump house	19
8	Sewerage and drainage	508
9	Safety tank	26
10	Compound wall	
11	Factory roads	
	Sundry small buildings	
	Quarters x 7	
	School / guest house / pump house etc	

4.5 CAPACITY & PRODUCTS

The capacity details of both the mills are depicted in the following table.

Name of the Mill	Spindles
Orico Spin	30,800
Kalico Spin	25,088

The Kalico Spin is a cotton ring-spinning mill producing Ne 20-22-32 and 40 counts, at an average count of Ne 26 and an average production rate of 5,000 kg/day, which goes upto 6,500 kg/day in winter.

The Orico Spin can produce both cotton and synthetic yarn and it is also a ring-spinning mill. It has been producing Ne 20-26-34 and 40 counts, at an average count of Ne 26.

Both the Mills have been sourcing their raw materials from out side the state, as Orissa is not a cotton-producing state. The final product, after meeting, demand within the state, is primarily sold in Kolkatta market through tie-ups with traders.

4.6 EMPLOYEES

In order to facilitate smooth take over by private investor, the state government has got rid of all employees at Kalico Spin, Dhenkanal through Voluntary Separation Scheme. At Orico Spin, Bargarh of the total 1,177 employees, already 579 employees

have been discharged through VRS while the applications of the remaining 588 are being processed. The GoO expects to discharge the remaining before the Mill is handed over to a private investor.

However, the government expects the private sector investor to re-employ as many people from this as possible when they start operations.

5. ANNEXURES

5.1 ADVERTISEMENT

ANNEXURE: I

GOVERNMENT OF ORISSA
DEPARTMENT OF PUBLIC ENTERPRISES

SALE OF ASSETS & BUSINESS OF TWO SPINNING MILLS
EXPRESSION OF INTEREST

Government of Orissa (GoO) intends to sale the assets & business of two co-operative spinning mills to investors committed to operate the mills from the same location. The liabilities of the mills will not be transferred to the investors.

The Mills are;

- A. Orissa Weavers Co-operative Spinning Mill Ltd (Orico Spin) located at Tora, Bargarh with 30,800 spindels;
- B. The Kalinga Weavers Co-operative Spinning Mill Ltd (Kalico Spin) located at Gobindapur, Dhenkanal with 25,000 spindels;

The Mills use ring-frame process to produce cotton and synthetic yarn and were established in early seventies. Adequate infrastructure and space for expansion is available at both the Mills.

Adam Smith Institute (ASI) is acting as Advisor to Government of Orissa on Enterprise Reforms programme including the sale of the above-mentioned spinning mills.

The Expressions of Interest (EOIs) from interested persons or parties are invited to acquire the assets & business of either one or both the Mills.

Interested Parties should submit their Expression of Interest (EOI) along with a Request for Qualification (RFQ) and Statement of Legal Capacity. The prescribed format can be obtained from the following address or can be downloaded from <http://orissagov.nic.in/pe/pe.htm>

Mr. C.V.Mahadev Rao
Adam Smith Institute
1295, Forest Park
Bhubaneswar-751009

Tel Nos: (0674) 2534495, 2536550, 2534496
Fax No: (0674) 2535479
E-mail: mahadevrao@satyam.net.in

The completed EoIs for one or both the mills should be submitted at the above mentioned address prior to 18.00 hours on 18 October 2003.

The GoO reserve the right to withdraw from the process or any part thereof, to accept or reject any or all offers at any stage of the process and/or modify the process or any part thereof or to vary any terms at any time without assigning any reason whatsoever. No financial obligation whatsoever shall accrue to GoO or ASI in such event. Neither GoO nor ASI shall be responsible for non-receipt of correspondence sent by post/courier/e-mail/fax.

5.2 EXPRESSION OF INTEREST

ANNEXURE:II

EXPRESSION OF INTEREST ('EOI')

(To be forwarded on the letterhead of the interested party(ies)/members of the consortium/joint venture submitting the EoI).

Letter No : _____

Date : _____

Sub: Expression of Interest to acquire the assets & business of [mention the name of Mill or Mills]

Sir,

We refer to the advertisement published in [Name of the News Paper] on [Date of Publication] inviting Expression of Interest to acquire the assets & business of co-operative spinning mills in the state of Orissa.

We have read and understood the contents of PIM and the advertisement and wish to participate in the above transaction.

1. We propose to submit our EoI in an individual capacity for and on behalf of (insert company name)

Or

2. We have formed / propose to form a consortium/joint venture comprising the following members:
 - a. _____(Insert company name)
 - b. _____(Insert company name)
 - c. _____(Insert company name)

We confirm that we/our consortium/joint venture/proposed consortium / proposed joint venture* satisfy the eligibility criteria set out in the relevant sections of the PIM including the guidelines for qualification of bidders seeking to acquire Public Sector Enterprises through the process of disinvestment issued by the Government of India vide Department of Disinvestment OM No. 6/4/2001-DD-II dated 13th July, 2001 and amendments thereto. The Statement of Legal Capacity and Request for Qualification as per formats, indicated hereinafter duly signed by us/ respective members, who jointly satisfy the eligibility criteria, are enclosed.

We certify that we have not been convicted by a Court of law or indicted or received any adverse orders passed by a regulatory authority which would cast a doubt on our ability to manage the Mill (s) when it is disinvested or which relates to a grave offence.

We further certify that we have not been convicted by a court of Law for any offence committed by us or by any of our sister concerns and no charge sheet has been filed

by any agency of the Government for any offence committed by us or by any of our sister concerns.

We further certify that no investigation by a regulatory authority is pending either against us or against our sister concerns or against our CEO or any of our Directors/Managers/employees.

The Request of Qualification as per format duly signed by us/respective members, who jointly satisfy the eligibility criteria, is enclosed.

We shall be glad to receive further communication on this subject.

Yours faithfully,
Authorized Signatory
For and on behalf of
* strike off whichever is not applicable.

5.3 STATEMENT OF LEGAL CAPACITY

ANNEXURE:III

(To be forwarded on the letterhead of the interested party and /or each member of the consortium/ joint venture submitting the EoI).

Letter No:

Date:

The Commissioner Cum Secretary
Department of Public Enterprises
Government of Orissa
Bhubaneswar

SUB: Expression of Interest (EoI)- Participating in the sale of assets & business of Co-operative Spinning Mill (s) - Statement of Legal Capacity

Sir,

We refer to the advertisement dated_____of the Department of Public Enterprises, Government of Orissa/Preliminary Information Memorandum (PIM) in connection with the proposed sale of assets & business of co -operative spinning mills.

We have read and understood the contents of the PIM and the advertisement and pursuant to this hereby confirm that:

We satisfy the eligibility criteria laid out in the PIM and the advertisement.*

We are a member of the consortium (constitution of which has been described in the Expression of Interest), which jointly satisfies the eligibility criteria as detailed in the PIM. *

We have agreed that (insert individual's name) will act as our representatives on our behalf and has been duly authorized to submit the EoI. Further, the authorized signatory is vested with requisite powers to furnish such letter and Request for Qualification and authenticate the same.*

Yours faithfully,

Authorized Signatory

For and on behalf of

* strike off whichever is not applicable.

5.4 REQUEST FOR QUALIFICATION

ANNEXURE:IV

(To be submitted in the respect of the interested party/ each member of the consortium/ joint venture).

Name of the interested Party (ies) /Member (s) : _____

Constitution (Tick, wherever applicable): Sector (Tick, wherever applicable):

- | | |
|-----------------------------------|------------------|
| -Public Limited Company | - Public Sector |
| - Private Limited Company | - Joint Sector |
| - Co-op.Society | - Private Sector |
| - Partnership | -Co-op Sector |
| - Proprietary Concern/ Individual | -Others |

- Particulars of Ownership:
- Nature of business/ Products dealt with:
- Date of incorporation:
- Date of commencement of business:
- Full address including telephone Nos./Fax Nos. :
- Registered Office:
- Address for communication:

Basis of eligibility for participating in the proposed sale: (Please mention details of your eligibility as per the PIM requirements))

(Please attach supporting documents including the latest Certified Provisional/ Audited/ Unaudited Statement of Accounts and Annual Reports for the last 3 years).

Contact Persons:

Yours faithfully,
Authorized Signatory
For and on behalf of
Place:
Date:

5.5 GUIDELINES FOR QUALIFICATION

ANNEXURE:V

No. 6/4/2001-DD-II
Government of India
Department of Disinvestment
Block 14, CGO Complex
New Delhi.
Dated 13th July, 2001.
OFFICE MEMORANDUM

Subject: Guidelines for qualification of Bidders seeking to acquire stakes in Public Sector Enterprises through the process of disinvestment

Government has examined the issue of framing comprehensive and transparent guidelines defining the criteria for bidders interested in PSE -disinvestment so that the parties selected through competitive bidding could inspire public confidence. Earlier, criteria like net worth, experience etc. used to be prescribed. Based on experience and in consultation with concerned departments, Government has decided to prescribe the following additional criteria for the qualification / disqualification of the parties seeking to acquire stakes in public sector enterprises through disinvestment:-

- (a) In regard to matters other than the security and integrity of the country, any conviction by a Court of Law or indictment / adverse order by a regulatory authority that casts a doubt on the ability of the bidder to manage the public sector unit when it is disinvested, or which relates to a grave offence would constitute disqualification. Grave offence is defined to be of such a nature that it outrages the moral sense of the community. The decision in regard to the nature of the offence would be taken on case to case basis after considering the facts of the case and relevant legal principles, by the Government.
- (b) In regard to matters relating to the security and integrity of the country, any charge-sheet by an agency of the Government / conviction by a Court of Law for an offence committed by the bidding party or by any sister concern of the bidding party would result in disqualification. The decision in regard to the relationship between the sister concerns would be taken, based on the relevant facts and after examining whether the two concerns are substantially controlled by the same person/persons.
- (c) In both (a) and (b), disqualification shall continue for a period that Government deems appropriate.
- (d) Any entity, which is disqualified from participating in the disinvestment process, would not be allowed to remain associated with it or get associated merely because it has preferred an appeal against the order based on which it has been disqualified. The mere pendency of appeal will have no effect on the disqualification.
- (e) The disqualification criteria would come into effect immediately and would apply to all bidders for various disinvestment transactions, which have not been completed as yet.

(f) Before disqualifying a concern, a Show Cause Notice why it should not be disqualified would be issued to it and it would be given an opportunity to explain its position.

(g) Henceforth, these criteria will be prescribed in the advertisements seeking Expression of Interest (EOI) from the interested parties. The interested parties would be required to provide the information on the above criteria, along with their Expressions of Interest (EOI). The bidders shall be required to provide with their EOI an undertaking to the effect that no investigation by a regulatory authority is pending against them. In case any investigation is pending against the concern or its sister concern or against its CEO or any of its Directors/Managers/employees, full details of such investigation including the name of the investigating agency, the charge/offence for which the investigation has been launched, name and designation of persons against whom the investigation has been launched and other relevant information should be disclosed, to the satisfaction of the Government. For other criteria also, a similar undertaking shall be obtained along with EOI.

(A.K. Tewari)

Under Secretary to the Government of India.

NOTE:

The following would be treated as grave offence:

(i) Only those orders of SEBI are to be treated as coming under the category of “grave offences” which directly relate to “fraud” as defined in the SEBI Act and/or regulations.

(ii) Only those orders of SEBI that cast a doubt on the ability of the bidder to manage the public sector unit when it is disinvested, are to be treated as adverse.

(iii) Any conviction by a Court of Law.

(iv) In cases in which SEBI also passes a prosecution order, disqualification of the bidder should arise only on conviction by the Court of Law.