

Govt aims for 'realistic' FY24 divestment goal

Centre may look to raise up to ₹40,000 cr via stake sales in PSUs next fiscal

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The Union government, projected to miss the divestment target for the fourth year in a row, may aim to raise a more "realistic" ₹30,000-40,000 crore via stake sales in state-run companies in the year starting 1 April, significantly lower than the current year's ₹65,000 crore.

Discussions on the final divestment target will shape the course of the preparations for Union Budget 2023. "In FY23, the target was lower than FY22 because of the huge shortfall; this time, too, that may be the case... possibly in the range of ₹40,000 crore," an official aware of the matter said on condition of anonymity.

Queries sent to the finance ministry and the department of investment and public asset management (Dipam) remained unanswered.

In FY22, the government set a divestment target of ₹1.75 trillion but could garner only ₹13,530 crore due to the continued impact of the pandemic. The target was reduced to ₹78,000 crore in the revised estimates of Union Budget 2022, presented in February this year. For FY23, the government set a much



REALITY CHECK

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FOR FY23, the target was kept at ₹65,000 cr and the proceeds so far at ₹24,543 cr

MOST of the divestment proceedings, at ₹20,516 cr, was from LIC's stake sale

lower target of ₹65,000 crore. As of Wednesday, proceeds for the year stood at ₹24,543 crore, most of it from the public listing of LIC of India, at over ₹20,516 crore.

"The divestment pipeline should be considered before arriving at the targets. Something in the range of ₹30,000-40,000 crore should be realistic, considering all the divest-

ment deals in progress. In FY23, there was a big one (contributor) from LIC, but that cannot be the case every year. The low-hanging fruits have been picked, and the journey ahead will be more challenging," said Madan Sabnavis, chief economist at Bank of Baroda.

The government has previously

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outlined plans to sell its shares in IDBI Bank, Shipping Corp. of India, BEML and Container Corp. of India. It aims to invite financial bids for the stake sale in IDBI Bank, which will spill over to FY24. The government is also working on the demerger of non-core assets of Shipping Corp. and BEML, which is necessary before their strategic disinvestment.

In addition, the government will seek expressions of interest for Concor following engagements with investors in recent road shows. But this, too, may take a more concrete shape only in FY24.

A second official said the disinvestments of HLL Lifecare Ltd and Projects and Development India Ltd are in advanced stages, and the proceeds may come in this fiscal year itself.

However, the overall proceeds are unlikely to meet the target set for FY23. The government has shelved the strategic disinvestment of Bharat Petroleum Corp. Ltd, which was expected to bring in ₹50,000-60,000 crore. The disinvestment of Central Electronics Ltd has also been



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scrapped, *Mint* reported earlier.

The disinvestment of Pawan Hans is also hanging fire following litigation against the winning bidder.

An order from the National Company Law Appellate Tribunal is awaited by the government before it moves ahead.

Strategic disinvestment takes place when the government sells its entire holding in a public sector enterprise and transfers management control to the buyer through a process of transparent and competitive bidding.

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“Strategic disinvestment is not a budget-filling number. It is part of a reform and a vision. We’re unshackling the enterprise potential of companies (PSUs) into further investment, growth and jobs,” Dipam secretary Tuhin Kanta Pandey said in an interview last month.

“In the process, the government also get receipts which are funded into the capex and social sector spending. Therefore, the targets have to keep taking the bottom-up approach to see how much is possible and how much can be done, the current context and

volatility (of the markets), and within that, you make the best of it,” he added.

Economy watchers said that a more realistic approach could help improve the accuracy of budget estimates.

“Disinvestment targets that are realistic help to improve the eventual accuracy of the budget estimates, given the high levels of uncertainty being imparted by poly-crises to the fiscal situation,” said Aditi Nayar, chief economist at rating agency ICRA.

The government may consider offers for the sale of some PSUs in the coming months, said market watchers, in an attempt to meet the shortfall. The key among them would be OFS of Hindustan Zinc Ltd, but the proceeds may not be very high as the sale of the government’s 29.5% stake will take place in tranches.

Sabnavis of Bank of Baroda said the BPCL disinvestment could be revived after the world economy stabilizes and the oil economy normalizes.

Oil price volatility and production cut by Opec will bear a large risk for the government’s dividend proceeds as oil marketing companies’ profits are set to be adversely impacted.