

DIPAM seeks to make dividends part of divestment target

SHRIMI CHOUDHARY
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The Department of Investment and Public Asset Management (DIPAM) has suggested that dividends from public sector undertakings (PSUs) be accounted as divestment collections. This is because both are revenue resources for the government.

The department, which deals with disinvestment, is learnt to have made this suggestion to the North Block. It emphasised that keeping a certain target or road map does not really work in market-oriented deals. It has suggested making dividends part of the overall budgeted target for disinvestment ahead of the Union Budget.

Currently, PSU dividends received by the Centre do not count as disinvestment



proceeds. "Dividend from CPSEs (central public sector enterprises) (which is non-tax revenue) and disinvestment (which is miscellaneous capital receipts) are the two responsibilities of DIPAM. Both should be looked at as far as resources to the government are concerned," a senior

official told *Business Standard*. As on date, DIPAM has raised ₹66,046 crore from disinvestment and dividend receipts. Of this, ₹31,106 crore has come as disinvestment receipts and ₹34,940 crore as dividend.

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STATUS CHECK

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Disinvestment target for FY23. Govt is half way against the target so far

₹40,000 cr

Dividend for CPSEs' full-year Budget target. This is almost 85% of the target

the current fiscal year.

Dividend for the CPSEs' full-year Budget target stood at ₹40,000 crore, which is almost 85 per cent of the Budget target. Sources in the department said FY23 dividend receipts may surpass the target like FY22. This would help the government

meet its non-tax revenue target.

Last year, it garnered ₹59,000 crore in dividends from state-run firms. This was more than 28 per cent of the target of ₹46,000 crore for the year. This was on account of high commodity prices, resulting in raising the profits for companies.

"Setting a certain number for disinvestment gives an indication that the government will sell its stakes in state-run companies. This often leads to a fall in share prices of such firms," said another official aware of the discussion.

He said it is difficult to set a roadmap, keeping in mind how geopolitical issues impact markets even in developed nations. Disinvestment requires long-term and consistent planning, which can't be restricted as a target. This does not really work in market-oriented deals.

Some of the major privatisation bids in

the pipeline include IDBI Bank stake sale and divestment in Container Corporation of India (Concor) and Shipping Corporation. The government expects most of them to conclude in FY24, particularly the IDBI Bank stake sale.

IDBI is a two-stage process, wherein potential bidders will be required to meet the Reserve Bank of India's (RBI's) "fit and proper" criterion before making financial bids. The first bid is expected on January 7. The expressions of interest (EoIs) for Concor would come sometime in January.

"Disinvestment target is on track with dividends," DIPAM Secretary Tuhin Kanta Pandey had said early this month. He added why ignore dividend receipts as that is also money and money is fungible.

He had made this remark while explaining that over emphasis on disinvestment targets is not the right approach.