

# Slow work-in-progress

The progress on disinvestment has been underwhelming; it is time to change gears

**A**HEAD OF THE Union Budget for FY24, there are indications of the government going slow on big-ticket privatisation or strategic disinvestments. Rather than set ambitious targets, the focus is on concluding a few deals where the process has already begun. The difference between privatisation or strategic disinvestment and disinvestment is that the former entails a shift of management control of a central public sector enterprise (CPSE) to the acquiring private party whereas the D-word involves incremental sales of listed CPSE scrips while the government retains control. Although strategic disinvestments depend on prevailing market conditions and bidders' interest, the fact is that progress has been somewhat underwhelming. As the forthcoming fiscal is the last one before national elections, the government perhaps also considers it politically inopportune to sell-off CPSEs. In FY22 and the current fiscal, only Air India and Neelanchal Ispat Nigam Ltd went to the Tata Group. This limited progress contrasts sharply with the sweeping agenda announced in Budget 2022, which also included BPCL, Shipping Corporation of India, Container Corporation of India, IDBI Bank, BEML, Pawan Hans, besides two public sector banks and a general insurance company. There is no movement on PSBs. Plans for BPCL have been shelved in part due to concerns regarding the absence of pricing autonomy for state-run oil marketing companies. The Centre will also exit IDBI Bank once it gets "upside value".

The upshot is that strategic disinvestment is still a work-in-progress despite the government's stated intention that it has no business to be in business. Since 2016, it had given an "in principle" approval to privatise 36 CPSEs, but succeeded in only 10 cases including Air India and NINL. These are HPCL (FY18), Rural Electric Corporation, HSCC (India) Ltd, NPCC and Dredging Corporation (FY19), THDC India Ltd, NEEPCO and Kamarajar Port Ltd (FY 20). However, some of these transactions are strictly not privatisation. HPCL was taken over by another state-owned Oil and Natural Gas Corporation. Similarly, REC was taken over by state-owned Power Finance Corporation. Government-owned entities cannot get deeper into business with each other when the stated intention is to get them out of it. Air India and NINL, however, were successful privatisations although the receipts to the exchequer were relatively paltry or nil. In FY 22, the sale of Air India amounted to only a fifth of disinvestment receipts. In FY23, the sale proceeds of NINL did not accrue to the exchequer as the government does not hold equity. The eight other privatisations since 2016 raised only an average of 28% of disinvestment receipts.

The question naturally is whether the ruling NDA regime can succeed with the P-word any more than the earlier Atal Bihari Vajpayee-led NDA regime did? Going slow on sell-offs may appear expedient due to the forthcoming national elections but the fact is that privatisations the world over are the stuff of scandal. Although the Vajpayee-led NDA successfully privatised Maruti, the telecom player VSNL, among others, this drive attracted political lightning like no other reform did and was stalled effectively since FY03. Privatisation is a fraught exercise as there are too many vested interests opposed to it, including affiliates of the ruling party like the Swadeshi Jagran Manch. If the NDA government is keen on this exercise, it must not only speed it up but also implement it in a highly transparent manner so that it does not get easily derailed.