

# FLIGHT OF DISINVESTMENT

Air India flew and LIC moved, but a big-bang PSU stake sale programme has proved to be elusive so far



“ I ALSO HAVE TO SEE THE APPROPRIATE TIME FOR BRINGING SOME DISINVESTMENT PROPOSALS TO THE MARKET

NIRMALA SITHARAMAN, UNION FINANCE MINISTER

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In February 2021, Prime Minister Narendra Modi made a strong pitch for selling the government's equity stakes in non-strategic public sector units (PSUs), saying sustaining loss-making enterprises on taxpayers' money drained resources that could have been spent on public welfare.

"The government has no business to be in the business," he said. "Modernise and monetise is the motto we will follow."

Soon after, the government unveiled a disinvestment pipeline featuring Air India, Container Corporation of India (Concor), Central Electronics, BPCL, and

IDBI Bank. The beleaguered national carrier is now owned by the Tata Group and is creating ripples with its large order of planes and frenetic hiring of pilots. But there is not much to report on the progress with the others.

Since 2014, the government's total disinvestment proceeds stand at around ₹4.7 trillion. Barring 2017-18 and 2018-19, the disinvestment receipts fell short of the Budget Estimates (BE). In 2019-20, the government garnered ₹50,299 crore — half of the BE for the financial year. During the pandemic years — 2020-21 and 2021-22 — the receipts were significantly lower than BE.

In 2022-23, the proceeds were mainly driven by the public debut of Life Insurance Corporation of India (LIC),

which fetched the Centre ₹35,293 crore, but there was still a shortfall of ₹15,000 crore from the revised estimates for the financial year. With IDBI Bank stake sale unlikely any time soon, the Centre might miss its target for the fourth straight year.

"Inter-ministerial coordination, information on the proposed PSUs, and due diligence are taking longer than expected to conclude the process," said multiple people privy to the matter.

In some cases, the process is held up due to inopportune timing, disinterest from buyers, opposition from employee unions, and past litigation. The last two years also saw pandemic-related uncertainty and external headwinds.

No new strategic sale has been

approved in recent times. With some states going to the polls this year and the big one, Lok Sabha, next summer, experts say this is not the best time for politically sensitive moves.

## Many a slip

Processes are on for selling the government's stake in IDBI Bank, Bharat Earth Movers Limited (BEML), Shipping Corporation of India (SCI), and Concor.

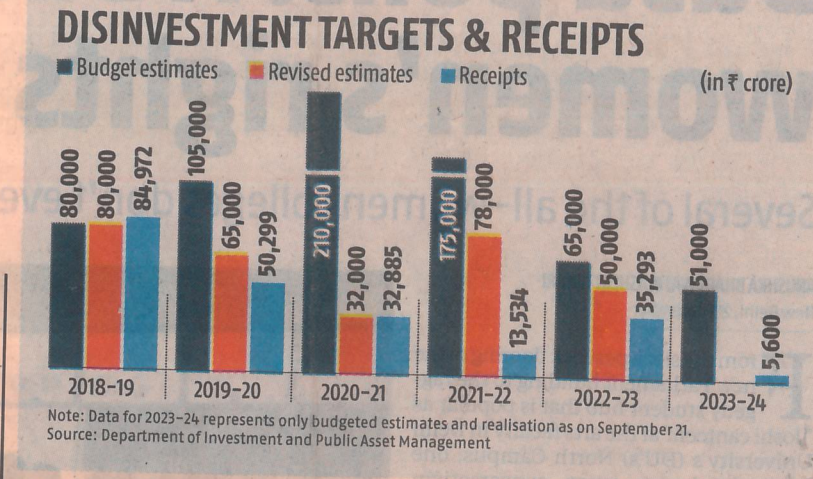
"I also have to see the appropriate time for bringing some disinvestment proposals to the market," said Union Finance Minister Nirmala Sitharaman, when asked whether the asset sale roadmap was stuck in the slow lane, during a wide-ranging interview last week. On IDBI Bank, she said it should happen, but did not give a definite timeframe. "I want to watch the market and take a call on when that will be. Nothing particularly is holding it back," she said.

The proposed sale of IDBI Bank, which is expected to work as the template for future bank disinvestments, had received initial bids seven months ago and is yet to get the Reserve Bank of India's "fit and proper" clearance on the shortlisted bidders. The Department of Investment and Public Asset Management (DIPAM), which handles the government's privatisation policy, explains the delay as part of the vetting process critical for sensitive sectors such as banking.

BEML and SCI stake sales, on the other hand, are grappling with demerger of land assets from the core divestment activity. On Concor, the railway ministry has expressed apprehensions over the impact on logistics prices. The BPCL stake sale was called off due to a muted response to the expression of interest. In the case of Pawan Hans and Central Electronics, the winning bidder was disqualified due to pending litigation.

## Air India, LIC

Air India turned out to be a landmark not only in the journey of disinvestment but it was also a momentous privatisation, the first in 19 years. The previous privatisation, an instance of the government completely pulling out of the company, not just selling a part of its equity



holding, was in 2003.

In the interim, not many candidates for privatisation were lined up, even as a new public sector enterprises policy envisaged the government to exit most businesses, while maintaining a minimal presence in select "strategic" sectors.

This was evident in the capital receipts of the central government and resulted in the disinvestment target being slashed year after year. Proceeds from disinvestment and privatisation are money receipts of the government that either create or reduce liability.

LIC's stock market debut, in which the Centre diluted 3.5 per cent equity for ₹21,000 crore, was a milestone in its own way, for the government as well as the markets. It was dubbed the "Mother of all IPOs". However, even after a year, its stock has not really set market indices on fire. Sources in DIPAM say the Centre may go for further dilution after the Lok Sabha election.

"Opposition from unions and finding the right valuation for PSUs act as dampeners in the disinvestment plan," says one of the persons cited in the beginning.

For the current financial year, 2023-24, the divestment target was set at ₹51,000 crore, deliberately kept lower than last year because the focus shifted to more achievable goals. During the first half of the year, up to September 21, the value of disinvestment receipts stood at ₹5,600 crore, a shade above 10 per cent of the target. Now that the IDBI Bank sale looks unlikely to go through this financial year, the target looks taller.

If the government is to meet this year's target, it might prioritise minority

stake sale in listed PSUs, say experts, as these are likely to take less time and effort than a strategic sale and ceding of management control.

"Minority stake sales in Coal India and Rail Vikas Nigam have already accounted for a major part of the ₹5,000 crore mobilised through disinvestment in 2023-24. However, stock market conditions would play a key role in deciding the exact timing of the offer for sale," says Arindam Guha, an independent public policy expert.

Some experts say the government can afford to move slowly because its revenue receipts are comfortable and can fill the gaps.

**With IDBI Bank stake sale unlikely, the Centre might miss its target for the fourth straight year**

## Asset monetisation plan

The National Monetisation Pipeline (NMP), which was launched two years ago, monetised assets worth ₹1.32 trillion in 2022-23, against the target of ₹1.62

trillion. The shortfall occurred as some key ministries, including the railways, road transport, power, and telecom failed to meet their targets. The ministries of coal, mines, petroleum and natural gas, and shipping met theirs.

For 2023-24, a target of ₹1.79 trillion has been restated as set by the Niti Aayog. To ensure this target is met, the government asked key infrastructure ministries and departments to make asset monetisation a "priority".

The NMP's aggregate monetisation potential is ₹6 trillion, through the core assets of the central government during 2021-22 to 2024-25. During the first year, the monetisation of public sector brownfield assets unlocked a value of ₹97,693 crore.