

# Divestment mop-up this year may not even be half the target

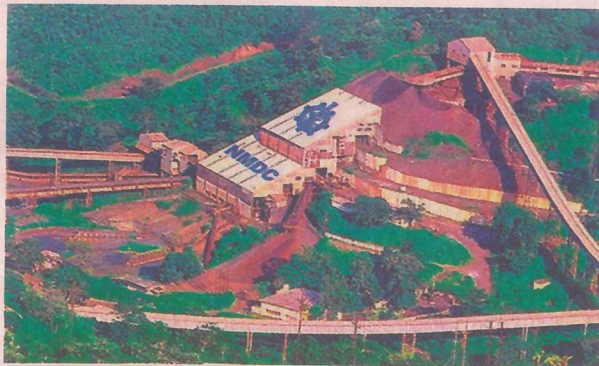
Reuters  
New Delhi

India will struggle to raise even half the proceeds it had targeted from planned sales of state-run firms this year and will miss divestment targets for the fifth straight year, sources said, as elections shift government priorities.

The government may fall short of its divestment goal by ₹300 billion (\$3.60 billion) in 2023/24, two government sources told Reuters. New Delhi had targeted ₹510 billion from divestment proceeds for the current fiscal year that ends March, 2024.

In 2023/24, about ₹300 billion of the ₹510 billion target was expected through stake sales in IDBI Bank and the privatisation of state-owned NMDC Steel.

However, delays in vetting of interested buyers for



**DOOMED PLANS.** The government has not been able to follow through with plans to sell companies in a slew of sectors including steel, fertiliser and oil and gas since 2019, hampered by issues such as land ownership and union opposition

IDBI by the Reserve Bank of India, the banking regulator, have stretched the sale timeline beyond the 2024 federal elections.

The sale of NMDC Steel will not conclude this year due to State elections and federal elections next summer. The company's main plant is in the mineral rich State of Chhattisgarh,

where it is a major employer and unions have protested the sale.

While it may still achieve some smaller divestments in the current fiscal year, it would still be well short of half its overall target.

## STUMBLING BLOCK

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with plans to sell companies in a slew of sectors including steel, fertiliser and oil and gas since 2019, hampered by issues such as land ownership and union opposition.

The Finance Ministry did not immediately respond to requests for comment.

"No privatisation will take place in this tenure of the government," said Subhash Chandra Garg, former federal Finance Secretary. "Forget divestment and privatisation for next six months because of lack of political interest in privatisation policy."

So far this year, the government has received ₹80 billion through stake sales, according to government data. Some of the shortfall in the current year's target would be offset by higher dividends paid by state-run firms to the government, the first source said.

Strong profits and steady demand have allowed these

firms to give higher dividends.

The government expects to surpass its ₹430 billion dividend target and has so far received ₹203 billion from state-run firms.

"As long as the government is meeting its fiscal targets and there isn't a shortfall, missing divestment targets is fine," said Rahul Bajoria, an economist at Barclays Investment Bank.

The privatisation delays will not impact the government's fiscal deficit target of 5.9 per cent of GDP, a third government official said.

The government has only managed to sell minority stakes in five of its companies through so-called offer for sales via stock exchanges, despite Indian markets hitting record highs this year. An index of state-owned entities touched an all-time high of 13,242 on November 16.