Divestment targets may be cut in interim Budget

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Faced with a huge shortfall in disinvestment receipts this fiscal, the Centre is likely to lower its goal on government stake sale mop up for 2024-25 in the upcoming interim Budget, say economists and analysts.

The scaling down of disinvestment target may be pronounced given that the country is expected to see general elections in the next few months. This may be the approach even as market conditions in 2024-25 are expected to be slightly more supportive for the sale of government stakes.

Against the 2023-24 Budget target of ₹51,000 crore, the Centre has so far netted ₹10,051.7 crore from the sale of shares in public sector enterprises, according to data from the Department for Investment and Public Asset Management (DIPAM) in the Finance Ministry. The current fiscal mop-up is only 20 per cent of the target for the fiscal.

If the Centre were to peg the disinvestment target for 2024-25 at a level below ₹51,000 crore, it would be the lowest since the ₹40,000 crore target set in 2013-14. Even if the Centre closes the current fiscal with disinvestment receipts of about ₹15,000 crore, it will result in a projected shortfall of about ₹36,000 crore. Aided by higher surplus transfer from the RBI, higher CPSE dividends and the robust performance of public sector banks (PSBs), the Centre may end the current fiscal with an additional collection of ₹65,000 crore over and above the FY23-24 budgeted non-tax revenue of ₹3 lakh crore, say experts.

Rating agency CareEdge in its pre-Budget survey has highlighted that the big-ticket sale of IDBI Bank planned for this fiscal now appears uncertain, while previous attempts to sell the Centre's stake in Pawan Hans and BPCL were unsuccessful. The impending general elections may shift the government's focus away from divestment and privatisation programme, say economy watchers.

EXPERTS' OPINION

To bring pace to the disinvestment programme, the Centre must move to a process in which investor interest is sought for all Public Sector Enterprises (PSEs) to be privatised. Those receiving higher interest and expected valuation can be prioritised for disinvestment, CII has said in its submissions to the government.

Sonal Bandhan, Economist at Bank of Baroda, said in a pre-Budget note that the bank does not expect that the disinvestment target will be met. "In the coming months, the focus will be on small ticket-size receipts. We expect a shortfall of around ₹20,000-30,000 crore this year. In FY25, as market conditions are expected to be slightly more supportive, this may in turn enhance government's ability to attract buyers and allow receipts in the range of ₹50,000-55,000 crore bracket," she added.