

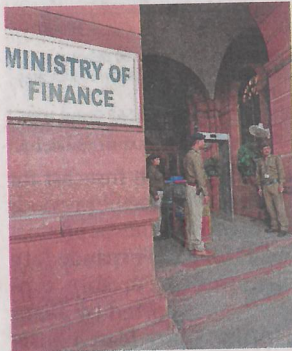
Disinvestments may face coalition hurdle

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NEW DELHI

Privatization may take the backseat in the coming coalition government as a reduced majority forces the pro-reform Bharatiya Janata Party (BJP) to work alongside allies with different priorities, officials and experts said.

Strategic sales already in advanced stages like IDBI Bank, Shipping Corp. of India and BEML may take off in the second half of 2024-25, but other transactions and fresh disinvestments may not be as lucky, they said. In the past too, resistance from states was a key reason for the slow progress of divestments.

“Some of the state government entities (that are not aligned with the BJP and now with the NDA) have submitted



In the past, divestments faced resistance from states. MINT

bids for some of the strategic sales of PSUs knowing well that the rules do not permit it. In some cases, they've gone to courts to prevent or stall the sale, which leads to further erosion of whatever value the asset may hold at that time,” an official said.

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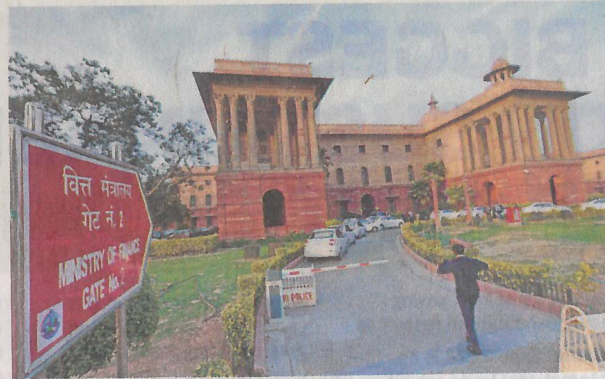
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For instance, the Kerala State Industries Development Corp. submitted a bid for HLL Lifecare Ltd located in the state, which the Centre rejected in 2022. In 2020, the Chhattisgarh assembly adopted a resolution to buy NMDC's Nagarnar Steel Plant if it was divested.

According to a second official, since the PSUs are located in states, the Centre needs states' cooperation to provide approvals, and maintain and hand over the assets.

Besides IDBI Bank, where the government and LIC are jointly selling nearly 61% stake, divestment of NMDC's steel plant in Nagarnar in Chhattisgarh; SAIL's Salem steel plant; Indian Medicines Pharmaceuticals Corp. Ltd; Ferro Scrap Nigam Ltd; HLL Lifecare Ltd and Project & Development India Ltd are in various stages. The Union cabinet has approved the sale of Container Corp. of India Ltd, but the process is yet to begin. The Centre also plans to list NTPC Green Energy Ltd, and has begun the process to list Indian Renewable Energy Development Agency Ltd.

Coalition hurdle awaits disinvestments



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Suresh Ganapathy, managing director and head of financial services research at Macquarie Capital said in a client note that the merger of public

sector banks and divestment plans would take a back seat. “Yes, they indeed (would). Look, any unpopular move will be avoided clearly for the near term due to reduced mandate,” he wrote the note to clients. The Union budget in July would be “more populist”, and the narrative would shift towards welfarist schemes,

Ganapathy said, adding the dividend bounty from the central bank that could have gone into capex would now move towards consumption schemes.

Some of the state govt entities have submitted bids for some of the PSUs knowing well that the rules do not permit it

Tuesday's election results were a rude surprise for the stock markets, which had built up hopes of a thumping win for the Bharatiya Janata Party.

While the National Democratic Alliance crossed the half-way mark, the numbers fell far short of Prime Minister Narendra Modi's call for 400-plus seats and poll-

sters' predictions of above 350.

Jeremy Zook, director and primary sovereign analyst for India at Fitch Ratings said a weakened majority could pose challenges for more ambitious reforms. “As the BJP fell short of an outright majority and will need to rely more heavily on its coalition partners, passing contentious reforms could prove more difficult, particularly around land and labour, which have recently been flagged as priorities by the BJP to boost India's manufacturing competitiveness,” he said in a note.

According to Bank of Baroda's chief economist Madan Sabnavis, though, divestments may not be as hard as feared. “In my opinion, the fact that there are coalition partners may not be a significant challenge when going ahead with divestment, as they have a record of being pro-reforms,” he said. However, he noted that disinvestments will get more challenging, as the low-hanging fruits have been already sold, and any further programme will have to weigh the pros and cons involved as some large PSUs serve a larger purpose for society as a whole, like oil marketing companies that control fuel prices.