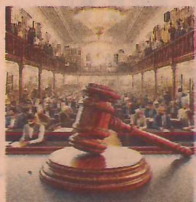


Find the Best Point Of Exit to Sell PSUs

Divestment-fiscal maths delinking welcome

Creeping disinvestment has got off to a decent start this fiscal, with proceeds during the first quarter so far reaching close to the previous year's receipts. These are through sales of small stakes in PSUs that usually fly below the radar, but collectively contribute to broader disinvestment strategy. Markets have been volatile for extended periods, and planning a calendar of large stake sales in PSUs presents challenges. Regularly monitored smaller sales provide a better pathway by tapping into investor interest for PSU equity. Since divestment has been brought under a larger asset monetisation effort, the incremental approach is easier to implement alongside sales of bits and pieces of logistics infrastructure.

GoI delinked its disinvestment strategy from the fiscal arithmetic because announcements of big-ticket sales allowed investors to beat down prices. Public sector, on its



part, has seen a revival due to consistently large government capex. Scope for mis-pricing has, thus, increased. GoI now takes a more holistic approach to disinvestment that incorporates asset value, earning potential and capacity buildup of individual PSUs. Markets have repriced the PSU pack, but

tend to favour specific companies that stand to benefit from policies such as climate mitigation and logistics.

There's an inherent risk in trying to time the market that creeping disinvestment sidesteps. A drawn-out systematic withdrawal plan from business should yield better realisation of public money from PSUs. Downside is, it also delays improvements in competitive intensity and corporate governance across a broad spectrum of industries. Since policy is now actively looking at improving health of PSUs, side-effects of delayed divestment can be mitigated. A lessening of the fiscal urgency to sell PSU stakes is a fall-out of economic reforms. Making PSUs healthier involves continuous reforms in their market environment and their governance structures. GoI should be able to find the best point of exit for disinvestment to be successful.