DIVESTMENT BLUEPRINT

Govt stake below 51% will unchain PSUs

PRASANTA SAHU
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	Govt stake (%)	LIC+other CPSE stake (%)	Stake govt can sell to maintain 51% holding
BHEL	63.17	14.13	26.3
Coal India	70.96	10.94	30.9
GAIL	52.19	11.9	13
IOCL	52.18	25.87	27
NTPC	56.09	11.51	16.6
ONGC	64.25	17.32	30.5
Power Grid	55.37	6.41	10.7
SAIL	75.00	9.57	33.5

Source: nseinfobase.com

BESIDES ENLARGING THE scope of disinvestment significantly in most listed PSUs, the FY20 Budget proposal to bring down direct government ownership in many PSUs to below 51% will unburden these companies from 4Cs — Comptroller and Auditor General (CAG), Central Vigilance Commission (CVC), Central Bureau of Investigation (CBI) and courts.

According to the Budget proposal, the Centre could bring down its direct holding in non-financial PSUs to below 51%, but it can still retain majority stake in some of these companies by taking into account the stake held by government-controlled institutions like LIC. This would provide it significantly higher headroom for disinvestment in energy PSUs, among others.

Unlike the public sector financial institutions which are set up by statutory Acts and requires Parliament's nod for diluting stake below 51%, the same can be done in case of most of the non-financial PSUs by an executive order.

Currently, the government-owned companies face audit by the CAG and follow a host of prescribed procedures for business processes, including tenders and hiring of employees while the private sector companies enjoy flexibility as there is no fear of such audit. Once the direct government control falls below 51% in the PSUs, these private sector practices can be replicated in these firms without fear of any CAG audit.

About 1,500 public commercial enterprises controlled by the Union and state governments, i.e. government companies and corporations are subjected to the audit of the CAG.

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THE CARDINAL feature of a government company is not less than 51% ownership by the central/state government, either individually or jointly. Once a PSU loses the "government company" status, the scrutiny of the CVC and the CBI would also decline, thereby reducing litigation and help in quick financial decision-making.

In a major legislative step last year that could allow public servants to unburden themselves of the fear of the 4Cs, Parliament had approved a clutch of amendments to the three-decade-old Prevention of Corruption Act (PCA). Investigating agencies will now have to get prior sanction of the appropriate authority in the government to probe officials, including retired ones. This would aid the government officials to bring down government holding in non-strategic PSUs to below 51% as well as expedite strategic disinvestment in the coming months.

The government could not privatise a single firm from the list of two dozen PSUs identified by the Niti Aayog in 2016, partly due to fear of legal harassment later. Once a PSU loses its "government company" status, the Centre can easily sell-off the residual stake in the firm later.

Addressing the 29th Accountants General Conference in October last year, the then finance minister Arun Jaitley had said that the environment in which the PSUs operate have changed after 1991, though they have to adhere to the rules framed when state owned companies used to enjoy monopoly in their respective sectors.

The finance ministry's Economic Survey in 2017 had flagged the 4Cs concerning functioning of the PSUs.