



The sell-off challenge we can't afford to fail

With just a quarter of this fiscal year left, India's PSU disinvestment target looks daunting. But our fiscal gulf demands a flurry of stake sales in the next few months. And fresh ideas

Few government targets have ever been as steep as this year's disinvestment figure of ₹ 2.1 trillion. This is the sum our Union budget for 2020-21 had hoped to draw into central coffers this year by offloading chunks of its ownership in public sector units (PSUs). So far, just a little over ₹ 11,000 crore has come in, about one-twentieth of that aim. The great covid disruption could be blamed, but the resultant economic crisis is also the reason we must put excuses aside and rise to a challenge that this administration has had a patchy record on. Indeed, with just over a quarter left this fiscal year, time is fast running out for it to redeem its reputation on this score. Nothing less than a flurry of action will do. On Tuesday, finance minister Nirmala Sitharaman conveyed the Centre's determination. "The pace of disinvestment will now gain a lot of momentum," she said. "Those [sale plans] that have got cabinet approval will be taken up in all earnestness." In July, she had stated that work was underway on sale proposals for about 23 PSUs, all approved. Among others, the list featured Engineering Projects (India), Cement Corp. of India, Bharat Earth Movers and Pawan Hans. It is clear, however, that we cannot hope to get anywhere close to our target without big-ticket sell-offs. Bharat Petroleum Corp. Ltd (BPCL) and Air India need to be hawked swiftly, even as an initial public offer (IPO) of shares in Life Insurance Corp. of India (LIC) is rolled out while stock markets are buying for equity supply.

Admittedly, the going has not been easy and may not get much easier, given the complexity of the exercise. Would-be buyers have not surged forth. In the case of BPCL, for instance, neither global oil majors like Saudi Aramco

and the UK's BP, nor India's own Reliance Industries expressed interest when the government invited preliminary enquiries for its 53% stake valued at about ₹ 45,000 crore. But at least we have the London-based Vedanta Resources Plc in the fray for BPCL. As for Air India's privatization, successive sweeteners of the deal on offer have finally worked to attract some interest. Apart from its original owner, the Tata Group, a foreign financial firm is reported to have thrown its hat in the ring along with a group of the airline's employees. Going by the contours of other domestic deals in the air, however, the Centre may not be able to count on all-cash-upfront offers by private entities. Its best bet then to raise big money in an instant would be LIC's IPO. Analysts reckon that parting with just a tenth of this insurer's equity could fetch as much as ₹ 1 trillion. An internal complication had arisen over LIC's legal mandate as an organization and what dividend payouts would mean for the sharing of its 'surplus' with policyholders, but the Centre should have resolved this issue by now. Last month, the Securities and Exchange Board of India released a consultation paper on easing minimum-float rules for large issuers. If a tweak is made, it would grant LIC flexibility to optimize its issue size. Even if not, our booming bourses seem bullish enough to absorb many more shares.

The covid pandemic has strained central finances so badly that there is no escape from big-bang asset monetization. If stake sales prove sticky, the Centre should explore innovative ways to get money. It could raise a fortune, for instance, by pledging a bulk of its PSU holdings with the Reserve Bank of India. The portfolio could then be sold later, by and by, to square up accounts.