

How PSU share buybacks have filled government coffers in the recent past

These, along with dividend payouts, have helped Centre bridge fiscal deficit

DATA FOCUS

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In addition to hefty dividend payouts every year, public sector undertakings (PSUs) have also been helping the Centre shore up its revenue and bridge its fiscal deficit by pouring in huge sums of money in the form of share buybacks over the last few years.

Between FY16 and FY20, PSUs have ploughed back close to ₹40,500 crore in the form of share buybacks to their promoter, the Government of India (GoI). From close to ₹4,500 crore in FY16, the amount jumped more than four times to ₹19,000 crore in FY17. However, it tumbled to ₹822 crore in FY20.

Last month, Bloomberg reported that the Centre is planning to ask eight PSUs to repurchase shares to help it shore up its finances amid the coronavirus pandemic.

Immediate plans

The report also noted that Coal India Ltd (CIL), NTPC, NMDC, MOIL, KIOCL and Engineers India Ltd (EIL) are among the eight companies that might be asked to buy back shares this year.

Subsequently, EIL announced in the exchanges earlier this month that it will buy back nearly 7 crore shares (representing 11.06 per cent of the total number of fully paid-up equity shares) to raise about ₹587 crore. The GoI holds a 51.50 per cent stake in the firm.

Similarly, mining major

NMDC also, earlier this month, announced that its board has approved a buyback of shares representing 5-5.05 per cent of the total fully paid-up equity share capital and free reserves to raise up to ₹1,378 crore. The PSU, the country's largest iron ore miner, is already the highest contributor of buyback revenue to the government.

Between FY16 and FY20, NMDC paid about ₹8,300 crore to the GoI, followed by Hindustan Aeronautics (₹5,206 crore) and CIL (₹3,682 crore).

Dividend payouts

Besides, PSUs, despite their own operational challenges in the last few years, have also been major contributors of non-tax revenue in the form of dividend payouts.

Between FY15 and FY19, they collectively paid ₹2.04-lakh crore in dividend and other investments. Of this, mega PSUs (Maharatnas and Navratnas) alone contributed over ₹1.66-lakh crore, or 82 per cent of the total.

Per the latest annual reports, these are expected to contribute about ₹28,000 crore in dividend to the government for FY20.

Consequently, PSUs' dividend as a percentage of the government's overall non-tax revenue grew from 16 per cent in FY15 to 18 per cent in FY19, after going as high as 27 per cent in FY16.

Mineral majors such as CIL and NTPC, and oil marketing companies such as BPCL, HPCL, IOC and ONGC are among the top contributors of dividend revenue to the government.

PSU buybacks fill the Centre's coffers

Buyback share to government (in ₹ cr)

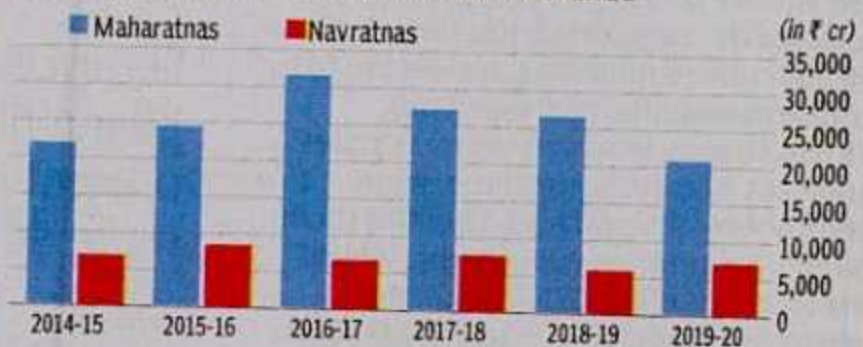


Cash-rich commodity companies lead in buybacks

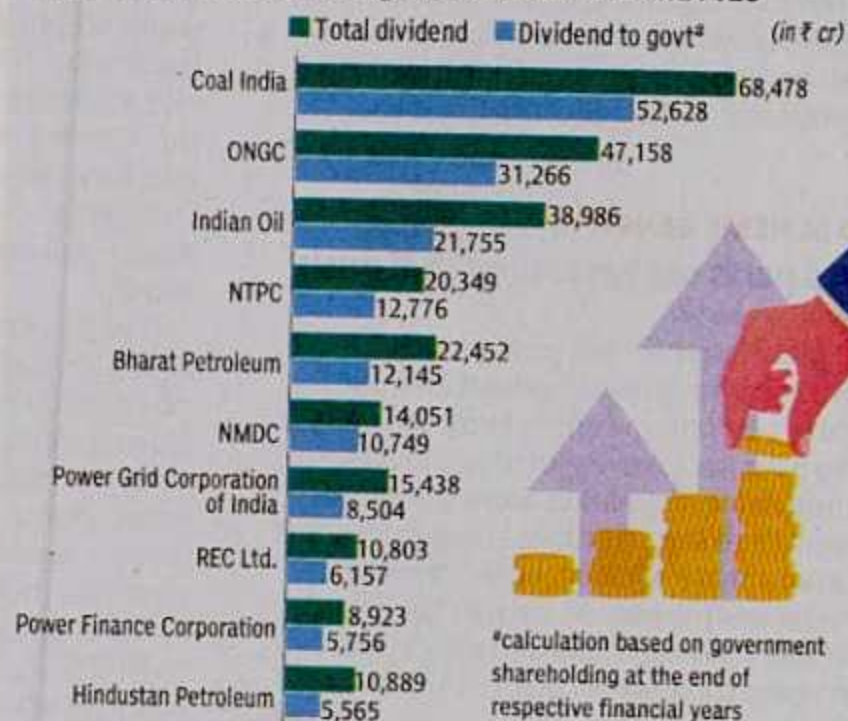
Share of govt between FY16 and FY20 (in ₹ cr)



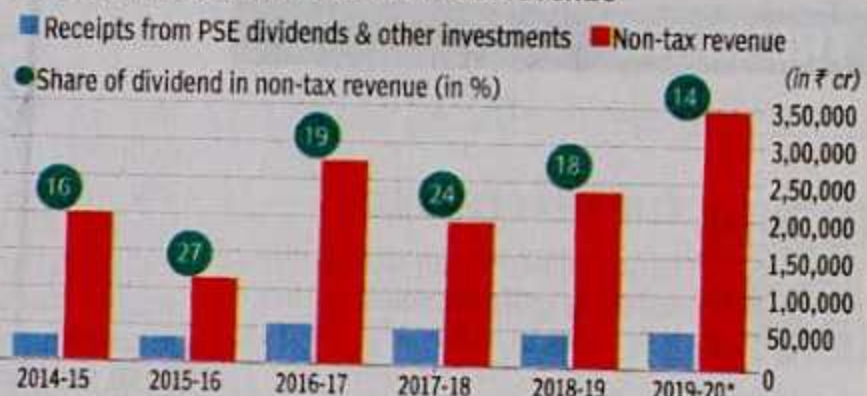
Dividend payouts, the other source of revenue



Top 10 dividend payers to govt between FY15 and FY20



Share of dividend income in non-tax revenue



Source: BSE, company annual reports, bsepsu.com, Department of Public Enterprises