

New disinvestment policy cleared by the Cabinet

Target may be raised steeply in the Budget

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The new policy for Public Sector Enterprises is understood to have been cleared by the Union Cabinet on Wednesday. A broadsheet for disinvestment is expected to be announced by Finance Minister Nirmala Sitharaman in the Union Budget to be presented on February 1.

A senior government official told *BusinessLine* that the matter was discussed at the Cabinet meeting. "Finance Minister may make a separate announcement on this issue," the official said indicating that the policy may be part of the Budget announcement.

The policy was announced as part of the Atmanirbhar Bharat initiative on May 17 by Finance Minister Nirmala Sitharaman.

Strategic sectors

The Finance Minister had then said that a list of strategic sectors requiring presence of PSEs in public interest will be notified. "In strategic sectors, at least one enterprise will remain in the public sector but private sector will also be allowed. In other sectors, PSEs will be privatised (timing to be based on feasibility, etc.)," Sitharaman had said.

Also, to minimise wasteful administrative costs, the number of enterprises in strategic sectors will ordinarily be one to four; others will be privatised/merged/brought under holding companies, she had said.

The new policy is expected to give a push to disinvestment

Disinvestment: Target vs realisation (₹ cr)

Year	Target (RE/BE)	Actual realisation
2017-18	1,00,000	1,00,195
2018-19	80,000	85,045
2019-20	65,000	50,304
2020-21 Till Jan (BE)	2,10,000	17,957.70

Source: CGA, DIPAM

whether minority or strategic sale (selling the entire stake or a larger slice with management control). There are over 200 Central PSEs of which only 55 are listed. This gives an opportunity for minority stake sale and get the CPSE listed on stock exchanges besides smaller stake sale in listed CPSEs. At the same time, many CPSEs, listed or unlisted, can be sold strategically.

Higher target

With the government having a tough time collecting taxes, especially direct taxes, disinvestment can mobilise resources for various schemes. Also, the government can use the proceeds for infrastructure spending. There is strong possibility that the divestment target will be raised to ₹3-lakh crore or even more in the Budget.

For the current fiscal, the government hopes to rake in ₹2.10-lakh crore from disinvestment. This includes ₹1.20-lakh crore from stake sale in CPSEs and ₹90,000 crore from stake sale in LIC and IDBI Bank. But, so far in the current fiscal, the government has managed to realise only ₹17,957.7 crore.