

Second wave may not derail disinvestment

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New Delhi, 27 April

The second wave of the pandemic may not derail the government's privatisation and strategic disinvestment drive as they are seen as key tools in boosting the economy amid the sharp surge in Covid-19 cases.

Sources in the government said there has been no revision so far in the timeline for the process for some of the key stake sales — including BEML, BPCL, Shipping Corporation, and Air India. They are confident of completing the transactions this fiscal (FY22). The government has set a disinvestment target of ₹1.75 trillion for the current fiscal.

“Privatisation and asset monetisation both remain the focus given the current fiscal space and the foreign direct investments flow,” said a government source in the know. According to him, the pandemic won't change the condition at least of loss-making public sector undertakings (PSUs) and neither is the Centre anticipating very high valuation for such firms, so current market situation can't be counted.

Earlier this month, senior officials of the NITI Aayog, the Reserve Bank of India (RBI), and the finance ministry's financial services and economic affairs departments met to identify potential candidates for privatisation. Many more such meetings are required to fast-track the process and meet the deadline for this fiscal, said one of the two sources cited above.

It is learnt that in the first phase, the government is likely to shortlist at least two PSU banks and one general insurance company, and it will also chalk out the plan for the remaining candidates. However, the shortlist may not include entities that were merged or amalgamated in the last few years. These include Punjab National

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- Earlier this month, 4-5 shortlisted PSU banks were taken up for discussion
- Those who were merged and amalgamated are not part of the list
- Govt may pick up at least 2-3 banks, mostly loss-making ones
- More meetings to be held in the coming months to discuss the amendments requested to privatise PSU banks
- Expecting to complete relevant transaction in the key stake sales like Air India, BEML etc

Bank, State Bank of India, Canara Bank, Indian Bank, and Union Bank. But they may consider Indian Overseas Bank, UCO Bank, Bank of India, Central Bank of India, and Punjab & Sindh Bank.

Sources say that like in the case of the proposed stake sale in Life Insurance Corporation, some amendments to laws are required for privatising banks. “We have been deliberating and remain focussed and expect to do it in a time-bound manner,” one of the sources added.

However, in 2020, many of these strategic sales got stuck, including the one of Shipping Corporation, due to the nationwide lockdown. Investors from Singapore and Hong Kong had held multiple rounds of virtual meetings, but the deal could not go through. The corporation though is in the second stage of disinvestment and has received several bids for sale.

Sources also said the government intended to keep four to five banks, depending on the regions and states, under its control and the rest would be privatised in a phased manner.