

EXPLORING WAYS OF HIKING INVESTMENT

Govt Plans Strategic Sale, Listing of PSU Subsidiaries

There are 121 subsidiaries of 169 CPSEs, although most of them are loss-making enterprises

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New Delhi: The government will explore strategic sale and listing of subsidiaries of state-run firms to unlock value that can be used for further investments. A senior government official told ET that in the first phase, the government may go for stake sale in some hotels and non-strategic firms.

At present, there are 121 subsidiaries of 169 CPSEs, although most of them are loss-making enterprises.

"Profitable subsidiaries should be listed on the exchanges, and if there's a scope for strategic sale, it may also be explored," he said, adding that companies such as ONGC Videsh, NHDC and some subsidiaries of Coal India have the potential to attract both foreign and domestic investors.

Last month, finance minister Arun Jaitley had hinted that the government is going big on strategic sale. "A list has been drawn (of companies for strategic sale)," he had said, adding the word strategic disinvestment has a broad connotation.

"Listing of subsidiaries will help raising resources for the holding firm, find better valuation for the subsidiary, and also fetch better dividends to the government," said the above quoted official. Experts agree that profitable subsidiaries may find takers, given that they have a captive business through their parent companies. "If these firms have good market position and the issues are rightly priced, the market will have an appetite for such issues," said Jagannadham Thu-

Plan in Progress

ACTION IN THE OFFING: To explore strategic sale and listing of subsidiaries of state-run firms

AIM: To unlock value that can be used for further investments.

INITIAL PLAN: To go for stake sale in some hotels and non-strategic firms

CURRENT DEAL: 121 subsidiaries of 169 CPSEs

Listing of subsidiaries will help:

- Raise resources for the holding firm
- Find better valuation for the subsidiary
- Fetch better dividends to the government

NEAR FUTURE: Govt may wind up Board for Reconstruction of Public Sector Enterprises

nuguntla, head of Fundamental Research at Karvy Stock Broking Ltd. Another government official aware of the deliberations said that the government will eventually exit from all non-strategic and loss-making CPSEs. The government is already looking to wind up the Board for Reconstruction of Public Sector Enterprises (BRPSE), which was set up in 2004 to prepare revival plans for sick state-owned companies.

Some of the subsidiaries which may be pushed for strategic sale in the first round may include loss-making hotels of Indian Tourism Development Corporation

GOVT PLANS TO RAISE:

₹41,000 CRORE from stake sales in PSUs

Rest through strategic disinvestment

Expert Speak

Profitable subsidiaries may find takers given they have a captive business through their parent companies



HOPES HIGH

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J THUNUGUNTALA
Head of Fundamental Research at
Karvy Stock Broking Limited

Ltd (ITDC). "Four of the seven ITDC subsidiaries are loss-mak-

ing, and they can be put on the block," the official added.

In its previous stint, the National Democratic Alliance (NDA) government had sold four loss-making entities, including two hotels. Modern Food Industries Ltd was sold to Hindustan Unilever Ltd, while Paradeep Phosphates Ltd was bagged by Zuari Industries Ltd.

Of the ₹69,500 crore disinvestment target for the next financial year, the government proposes to raise ₹41,000 crore from stake sales in PSUs and the rest through strategic disinvestment, including the sale of residual stake in Hindustan Zinc and Balco.