

BACK ON AGENDA Strategic stake sales return as
govt pursues aggressive disinvestment

Govt Sets Record Selloff Target of ₹69,500 crore

Govt budgets ₹41,000cr
through stake sales
in PSUs and the rest
through strategic selloff

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New Delhi: The government has stepped up its disinvestment target to generate non-debt resources to both expand public investment and contain the fiscal deficit, while handing over a larger share of its tax revenues to the states, as per the recommendations of the 14th Finance Commission. In a breakthrough disinvestment programme, Finance Minister Arun Jaitley announced a ₹69,500 crore plan to sell stakes in government companies.

While the unusually large amount sought to be realised has to be seen in the background of more than half the planned disinvestment of ₹58,425 crore for the current year being postponed to the next fiscal, the proposed disinvestment plan for 2015-16 is significant because it envisages strategic stake sale, bringing back the possibility of Atal Bihari Vajpayee-led NDA-1 type of privatisation.

"It may be noted that the budget reflects considerable scaling up of disinvestment figures. This will include both disinvestment in loss-making units, and some strategic disinvestment," Jaitley said in his speech.

Although the target has never been achieved, experts feel the favourable market conditions may make it pos-

sible this time.

"They have substantial issues both OFS, IPOs and now even strategic sale. They should kick-start the process early and every month there should be an issue," said Prithvi Halder, chairman at Prime Database.

The government, which had set a target of ₹68,425 crore for 2014-15, has now revised it to ₹26,353 crore. In the current fiscal, the government has raised around ₹34,257 crore through stake sales in Coal India Ltd and Steel Authority of India Ltd (SAIL).

Of the ₹69,500 crore target for the next fiscal, the government has budgeted ₹41,000 crore through stake sales in PSUs and the balance ₹28,500 cr through strategic disinvestment.

"We are not averse to the idea of strategic sale," Jaitley said, adding the government may consider both loss-making and profitable PSUs.

The government had budgeted ₹15,000 crore in 2014-15 through residual stake sale in non-government companies such as Hindustan Zinc and Balco. The disinvestment department already has the Cabinet approval for stake sales in companies such as Power Finance Corporation, Rural Electrification Corporation, NHPC and ONGC.

The companies on the divestment roadmap include IOC, BPCL, Dredging Corporation of India Ltd (DCI) and NBCC, besides IPOs of Hindustan Aeronautics Ltd (HAL) and Rashtriya Ispat Nigam Ltd (RINL), where the government may divest 10% stake each.

According to an official aware of the deliberations, there can be around 18 sick firms where the government may decide to pursue strategic sale.