

Divestment challenges

The govt must tap the booming stock markets

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With three-fourths of the financial year behind us, the proceeds from PSU disinvestment is only ₹9,364 crore against the target of ₹1.75 lakh crore, which is merely 5 per cent of the target.

During the current FY22 so far, from disinvestment, the government has been obtained ₹3,994 crore from SUTTI Axis Bank, ₹3,654 crore from NMDC, ₹726 crore from HUDCO, ₹742 crore from HCL and ₹219 crore from IPL through offer for sale and employee OFS.

At the beginning of the year, the government came out with a new strategic disinvestment policy (SDP). All CPSUs were classified into strategic and non-strategic sectors. It was decided that non-strategic CPSUs would be either privatised if feasible or shall be considered for closure. For strategic CPSUs, the government decided to only hold a minimum stake and remaining considered for either privatisation or merger, subsidiarisation or closure.

Moreover, the government had also launched the national monetisation pipeline (NMP) for creation of new sources of revenue by unlocking the value of hitherto unutilised and underutilised public assets. The government is looking to collect ₹6 lakh crore over the four-year period, FY2022-25 and ₹0.88 lakh crore through NMP in the current fiscal.

Asset monetisation

The government is looking to NMP to make up for the gap in disinvestment proceeds. However, how much is realised as yet? No data is available.

The government has already given green signal for strategic sale of 35 CPSUs and is tracing strategic divestment of 22 CPSUs, which include Shipping Corporation of India, BPCL, BEML, Project and Development India, Engineering Project Ltd, Rashtriya Ispat Nigam Ltd, Central Electronic Ltd, and Concor.

In October, the Tata group won the bid to acquire debt-laden national car-

rier Air India for ₹0.18 lakh crore. It is the first privatisation of a CPSU in 19 years and first privatisation exercise of the Modi government. The DIPAM expects to launch the initial public offer of the Life Insurance Corporation of India in the last quarter of the current fiscal. Further, it is estimated that the total value of the LIC will be ₹10-12 lakh crore.

Therefore, the government would be able to realise ₹1-1.20 lakh crore from the divestment up to 10 per cent of its stake of the LIC. The successful launch of LIC IPO would be crucial for the government to meet disinvestment target for FY22. It will meet the 57-69 per cent of the target.

The size of the fiscal deficit for the current financial year will also depend on the success of the disinvestment as well as NMP. For the current fiscal, the government has set the fiscal deficit target at 6.8 per cent of the GDP. Meanwhile, the government sought consent

for additional expenditure of ₹2.99 lakh crore from Parliament through supplementary demand for grants. Because of this, achieving the target of fiscal deficit will be difficult.

However, the fiscal data released by the Controller General of Accounts for April-October quarter on November 30 gives us some

pointers. The fiscal deficit for April-October dipped at ₹5.5 lakh crore or just 36 per cent of the Budget estimate for FY22 against 119.7 per cent in FY21 and 102.4 per cent in FY20. Disinvestment would depend on the market conditions and investor interest. The market is in a favourable condition with both the BSE Sensex and the Nifty 50 touching new highs. The benchmark indices gained over 25 per cent so far this year. The primary market saw unprecedented growth. In the last two months ₹0.37 lakh crore was mopped from IPOs with cumulative IPO collections at a record of ₹1.15 lakh crore in 2021.

Though, there is a possibility of 12-15 per cent correction in the ongoing bull market but it is minor. So, the government should intensify its efforts, speed up privatisation process and capitalise on the situation.

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