

Govt firms asked to declare market value of assets

Measure seen as a bid to boost investor confidence in PSUs

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In a bid to boost investors' interest in PSU stocks, the government has asked public sector undertakings (PSUs) to declare the market value of their land and other real estate assets.

Public sector undertakings (PSUs) have been told to share the intrinsic value of their real estate assets which have been "undervalued" based on book value in their balance sheet for years, government sources said.

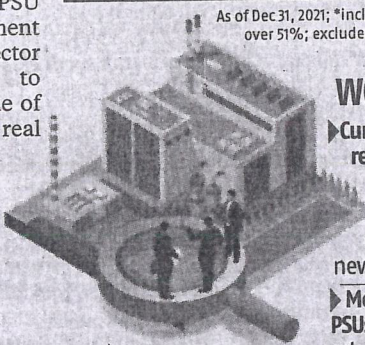
The exercise, being undertaken for the first time, is a step to lift confidence in these firms in the markets as PSU shares are undervalued when compared with their private peers, an official said.

Even as the current accounting standards require PSUs to declare only the book value of assets, the details are being sought to include them in the recent Public Sector Enterprises Survey, prepared

ONLY A FRACTION

M-cap of CPSEs* (in ₹ trn)	13.91	% share of in BSE m-cap	5.23
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As of Dec 31, 2021; *Includes PSUs where the Centre directly owns over 51%; excludes PSBs, PSUs where stake jointly held with state governments; Source: BSEPSU.com



IMAGING BY: AJAY MOHANTY

WORTHWHILE EFFORT?

- ▶ Current accounting standards require PSUs to declare only the book value of assets
- ▶ Market value of land, other assets may feature in the new PSE survey
- ▶ Move seen boost investments in PSUs by institutional and retail investors

by the Department of Public Enterprises (DPE), to show the value of assets these PSUs have been holding for years, according to the official. Declaring book value of assets leads to "undervaluing" such assets in the books of account, he added. "Once the investors know the value of assets PSUs are holding, it would help revive investor interest and improve market sentiment for public sector companies' stocks, and entuse confi-

dence among market players on the assets these PSUs hold."

This would give a better picture of company books, and bring in investments from institutional or retail investors. "Generally companies conduct such a valuation exercise before fundraising. These PSUs hold many prime assets and they have been recorded at a nominal price," said another official.

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"Assets of PSUs, such as Bharat Heavy Electricals (BHEL), have been undervalued for years; once the market sees the real value of assets these PSUs are holding, it will find that these companies' stocks are cheap," said the first official quoted above. According to BHEL's annual report, it had non-current assets of ₹27,367 crore, of which property, plant and equipment accounted for ₹2,426 crore as of March 31, 2021.

"There is a possibility that some of the assets of PSUs may be undervalued," said Ankur Wahal, senior vice-president,

BOB Capital Markets. The intent of the government may be to determine the fair value of the assets of PSUs to send a positive signal to the market that the actual intrinsic value of these companies is much higher than the perceived intrinsic value, he said.

The exercise will give clarity to CPSEs and the government on the value of land and fixed assets, other than plant and machinery, in their books, said Jagannarayan Padmanabhan, director, CRISIL. "Appropriate qualification should be made to such land parcels, which should have conditions laid out based on which these assets were allocated or acquired. PSUs should categorise the assets as owned, leased, licensed, given for a specific purpose, and even held

overseas. These assets have been kept anecdotal; the exercise will provide them with a fair valuation," Padmanabhan said.

However, land value does not translate into the market valuation of PSUs because these assets would have been provided to them with specific covenants; appropriate diligence be undertaken by individual CPSEs before assigning a value to those specific land parcels, he added.