

THE ECONOMIC TIMES

BENNETT, COLEMAN & CO. LTD.

VOL. 52 NO. 93 | NEW DELHI / GURGAON | 18 PAGES | ₹4.50 OR ₹9.50 ALONG WITH THE TIMES OF INDIA

THURSDAY, 9 MAY 2024



Auto Retail Sales Begin Fiscal on a High Note

BRANDS & COMPANIES >> 5

Air India Express Cancels Over 80 Flights as Cabin Crew Call in Sick

COMPANIES: PURSUIT OF PROFIT >> 14

Covishield Deaths may be More Than Estimates, Say Parents

BRANDS & COMPANIES >> 5



*Applicable only on monthly purchase (in Delhi/NCR)

To order your favourite newspaper, call 1800 1200 004 toll free or visit subscribe.timesgroup.com. To advertise with us, call 1800 120 5474

Govt Gains PSU Muscle as Stocks Climb Peaks

Share in total market cap surges to a 7-year high

STATE OWNERSHIP* IN NSE-LISTED COMPANIES



*Excludes holding in cos such as Voda Idea and Hindustan Zinc where govt has substantial stakes but is not a promoter
Note: No of cos increased from 51 to 72 during this period
Source: primeinfobase.com

Rajesh.Mascarenhas
@timesgroup.com

Mumbai: State ownership in listed firms, in terms of the value of shares held, surged to a seven-year high of 10.38% of total market capitalisation as of March 31, driven by a robust rally in several public sector unit (PSU) stocks.

The value had touched a high of 22% of total market capitalisation of listed firms in June 2009, dropping to a low of 5.1% in Sep-

tember 2020 before doubling since then, according to data from primeinfobase.com. Re-ratings amid large valuation discounts, high dividend yields, record cash flows and news of possible privatisation triggered a sharp rally in public sector companies over the last three years.

Listed state-owned firms have added nearly ₹43 lakh crore in market cap in the three years ended March 31 to hit ₹61.22 lakh crore. To be sure, about ₹6.4 lakh crore was added via six new lis-

tings, such as those of Life Insurance Corp. of India (LIC) and Indian Renewable Energy Development Agency (IREDA), among others, during this period.

The Nifty PSE index and Nifty PSU Bank index have seen significant gains of 326% and 493%, respectively, in three years, compared to a 142% return by Nifty.

Share of Pvt Promoters at 5-yr Low >> 10.

PSUs Thriving; Mcap Up 225% in 3 Yrs: FM >> 11



Share of Pvt Promoters at 5-yr Low

► From Page 1

“The PSU re-rating isn’t without reason, and the robust stock performance is underpinned by the strong financial resilience of traditional economy sectors during the Covid-19 pandemic, government policies and reforms, such as defence indigenisation, benefitting companies in these sectors,” said Ashish Gupta, CIO, Axis Asset Management. “A heightened focus on corporate governance, including formalised payout policies, balance sheet restructuring in public sector banks, and a structured divestment strategy, and attractive valuations, also fueled the rally in PSUs.”

The share of private promoters declined to a 5-year low of 41% on March 31. Over the last 18 months alone, it has fallen by 361 basis points from 44.61% on September 30, 2022.

According to Prithvi Haldea, managing director of Prime Database Group, this stems from stake sales by promoters to take advantage of bullish markets, relatively lower promoter holdings in some of the IPO companies

and also overall institutionalisation of the market.

PSU stocks have seen sharp corrections between 2010 and 2019 due to frequent stake sales by the government, offloading by large foreign funds as a result of increased environmental, social and governance focus and a major hit to earnings for oil and gas PSUs due to the sharp fall in crude prices and gross refinery margins last year.

The Nifty PSE and Nifty PSU Bank indices plunged 22% and 25%, respectively, between 2010 and 2019. During this period, the Nifty rallied 133%. There was a disconnect between earnings growth on one hand and market cap reduction on the other. However, there was a turnaround in 2020.

“Over the last few years, things have changed drastically for PSUs. Steps such as hiring from private banks, fresh capital infusion and recovery of money from defaulters have changed the fortunes of government-owned banks,” said Nimesh Mehta, country head-sales & products, ASK Investment Managers.

FM: State-run Cos Thriving Under PM Modi’s Leadership

GOING STRONG Says total market cap of 81 listed PSUs grew 225% in last 3 yrs

New Delhi: Finance minister Nirmala Sitharaman on Wednesday said the government’s focus on capital expenditure and infrastructure development has directly benefited state-run companies and led to substantial growth in their stock performance.

Public sector undertakings or PSUs, are thriving under the leadership of Prime Minister Narendra Modi, benefiting significantly from the culture of professionalism infused in them along with increased operational freedom, Sitharaman said in a post on social media platform X.

“Due to better management of PSUs, their share prices have tremendously increased in last three years,” she said, adding that the total market cap of all 81 listed PSUs (62 CPSEs, 12 PSBs, three public sector insurance companies and IDBI Bank) has grown by 225% in the last three years.

Sitharaman noted that the net worth of all central public sector enterprises (CPSEs) increased 82% from ₹9.5 lakh crore as of March 2014, to ₹17.33 lakh crore as of 2022-23 fiscal.

“The greater alignment of management incentives (through the sharp

ening of performance-linked incentives), capital management guidelines on dividends, buybacks, etc, and the calibration of the disinvestment strategy have helped improve the performance of the CPSEs and reposed investor confidence,” she said in her post.

The finance minister observed that 15 CPSEs have experienced an impressive compounded annual growth rate (CAGR) ranging from 76% to 100%, reflecting substantial value appreciation and investor confidence.

“Additionally, 25 CPSEs have demonstrated strong growth with CAGR ranging between 51% to 75%, while 28 CPSEs have shown steady expansion within the range of 26% to 50%,” she said, adding that the market cap of 12 listed public sector banks (PSBs) has increased 2.95 times (195%) from ₹ 5.45 lakh crore (as of March 31,

2021) to ₹16.12 lakh crore (as of March 31, 2024).

The finance minister argued that PSUs have suffered under the Congress-led UPA government. “PSUs that were previously neglected under the UPA government, such as Hindustan Aeronautics (HAL), have seen a resurgence under the Modi government,” she claimed.

Giving a comparative analysis of the performance of PSU stocks under former Prime Minister Atal Bihari Bajpayee-led NDA government, via-a-vis the 10 year (2004-09) of UPA rule, she said during 1999-2004 (NDA): PSU index soared over 300%, vastly outperforming the BSE Sensex’s 70% gain.

During 2004-09 (UPA I), the PSU index rose by 60%, but this was only half the growth rate of the Sensex. During 2009-14 (UPA II), the PSU index declined by 6% while the benchmark surged by 73%.

FM said the increased defence spending and aim of achieving ‘Atmanirbharta’ in defence has fuelled the growth of PSUs like Bharat Electronics Ltd (BEL), HAL, and Mazagon Dock.

