No chasing big stake sale targets

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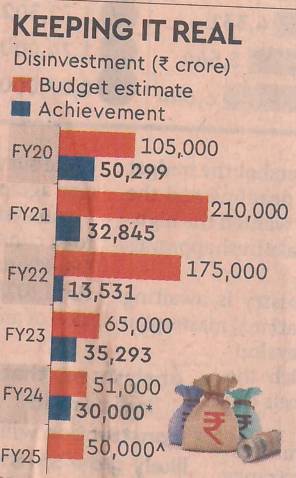
New Delhi, June 26

THE NEW NATIONAL Democratic Alliance (NDA) government will have a realistic disinvestment strategy, devoid of chasing any specific target for privatisation of large firms, official sources told *FE*. It will, however, seek to keep the pace of minority stake sales in central public sector enterprises (CPSEs), as and when market throws up opportunities.

In 2021, the Centre unveiled the CPSE policy under which the government will have a minimum presence in the four strategic sectors, while the remaining ones could be privatised, merged or closed. The strategic sectors are atomic energy, space and defence; transport and telecommunications; power, petroleum, coal and other minerals; and banking, insurance and financial services. In the non-strategic sector, all CPSEs will be privatised or closed in case privatisation is impossible.



*Revised estimate as "miscellaneous capital receipts (MCR)" including monetisation; ^MCR

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HOWEVER, THE (LOW) incidences of CPSE stake sales since then haven't been exactly in consonance with the policy announcement.

Market realities have been one reason for the reduced pace of disinvestment, as much as political considerations.

In the interim Budget for FY25 in February, the Bharatiya Janata Party spelt out a holistic approach towards CPSE capital management that included value creation, asset monetisation, dividends, capital expenditure, besides disinvestment.

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Accordingly, the government set a ₹50,000-crore target for FY25 as "miscellaneous capital receipts" by clubbing disinvestment and asset monetisation. For the first time in many years, there wasn't any specific target for disinvestment.

Against the initial Budget estimate of ₹51,000 crore in FY24, the disinvestment receipts were ₹16,507 crore or 0.37% of the Centre's budget size, as some strategic disinvestments, including that of IDBI Bank, did not materialise. Strategic disinvestment of IDBI Bank, jointly owned by the government and promoter Life Insurance Corporation, was originally planned to be concluded in FY24. The transaction may happen in FY25 after the Reserve Bank of India gives 'fit-and-proper' clearance to the shortlisted bidders. RBI is still examining the proposals received.

While pursuing the existing pipeline of strategic sales, including that of IDBI Bank, NMDC Steel and Shipping Corporation of India, the government will continue with offers for sales (OFS) of minority stakes, which could be carried out quickly, sources said.

In OFS also, the government has adopted the strategy of maximising revenues for the exchequer by opting for smaller stakes sales (compared to earlier transactions) to gain from the upsides in market valuation of CPSE stocks, some of which doubled in a little more than a year. In other words, the government is mobilising more revenues even with smaller OFS issues in CPSEs than it used to raise through relatively bigger ones, keeping the window open to come with more such offers when valuation rises even further.

The market capitalisation of 60-odd listed CPSEs increased 2.5 times from ₹16.69 trillion on March 31, 2023, to ₹42.4 trillion now. It has benefited the government and minority shareholders equally.