

# India plans to overhaul state-run firms: Report

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INDIA PLANS to overhaul more than 200 state-run firms to make them more profitable, signalling a departure from Prime Minister Narendra Modi's aggressive privatisation programme that has struggled to take off, government sources said.

The programme to privatise a major portion of India's lumbering \$600 billion state sector announced in 2021, had slowed ahead of the general election in April-May and now faces more resistance after Modi lost his majority in parliament and had to rely on coalition allies to return to office.

Expected to be unveiled as part of the annual budget on July 23 by Finance Minister Nirmala Sitharaman, the new plans include selling large parcels of underutilised land owned by these companies and monetisation of other assets, said two officials

## PRIVATISATION CHALLENGE

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who are aware of the policy. Some aspects are yet to be fine-tuned, they added.

The aim is to raise \$24 billion in the current April-March fiscal year and re-invest the funds in the companies, while setting five-year performance and production targets for each company, instead of short-term targets.

The plans to overhaul state firms have not been reported previously.

The officials declined to be identified as they were not authorised to speak on confidential de-

liberations. The finance ministry did not respond to requests for comment.

In an interim budget presented before the election, the government did not provide any figures on stake sales for the first time in more than a decade.

"The government is shifting focus from indiscriminate asset sales to enhancing intrinsic value of state-owned companies," said one of the officials.

Among other plans, the government intends to introduce succession planning in majority-owned companies alongside a proposal to train 230,000 managers across firms to prepare them for senior roles, the officials said.

Currently, the government appoints top executives in state-owned companies.

The government is likely to implement a plan that includes training of managers, professional recruitment to company boards and incentives for high performance from the 2025/26 fiscal year, with the expectation that in-

creased autonomy would make companies more competitive.

The 2021 announcement to sell most state-run companies included two banks, one insurance company and firms in steel, energy and pharmaceutical sectors besides closure of loss-making companies.

But India has been able to only complete the sale of debt-ridden Air India to the Tata Group, while rolling back plans to sell some others. Only a 3.5 per cent stake in LIC has been sold besides shares in few other companies.