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# Disinvestment fetches over Rs 4.20 lakh cr in 10 years but target to be missed again in FY24

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## Synopsis

Big ticket privatisation plans such as that of Bharat Petroleum Corporation Ltd (BPCL), Shipping Corporation of India (SCI) and CONCOR are already on the backburner and analysts feel meaningful privatisation can happen only after April/May general elections.



Representational image

With general elections on the horizon, the government's privatisation bandwagon has almost but stalled as a government wary of being accused of selling family silver opts for minority stake sales on stock exchanges over outright privatisation. The result -- the disinvestment target for current fiscal year is again likely to be missed.

Big ticket privatisation plans such as that of Bharat Petroleum Corporation Ltd (BPCL), Shipping Corporation of India (SCI) and CONCOR are already on the backburner and analysts feel meaningful privatisation can happen only after April/May general elections.

In the current fiscal, out of the budgeted amount of Rs 51,000 crore, about 20 per cent or Rs 10,049 crore has been collected through minority stake sales via IPO (Initial Public Offering) and OFS (Offer For Sale).



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Strategic sale of a host of Central Public Sector Enterprises (CPSEs), including SCI, NMDC Steel Ltd, BEML, HLL Lifecare and IDBI Bank, are in the pipeline for completion in the current fiscal.

However, with the process of due diligence and demerger of core and non-core assets yet to be completed with respect to most of the CPSEs, there has been a delay in inviting financial bids.

In the case of IDBI Bank, where the government had received multiple EoIs (Expressions of Interest) back in January 2023, the bidders are yet to get security and 'fit & proper' clearance from the government and the Reserve Bank of India (RBI), respectively.

Hence the privatisation of all the CPSEs in the list and IDBI Bank are likely to spill over into the next financial year.

In total, there are around 11 transactions which are being processed by DIPAM (Department of Investment and Public Asset Management) currently.

There are three more -- Rashtriya Ispat Nigam Limited (RINL), Container Corporation of India (CONCOR) and subsidiaries of AI Asset Holding Ltd(AIAHL), the entity holding the former subsidiaries of the now-privatised Air India, for which 'in principle' approval of the Cabinet Committee of Economic Affairs (CCEA) is already in place but EoIs have not been invited by DIPAM.

"Strategic disinvestment decisions are being governed by political necessities. With elections round the corner, we do not expect any movement on the strategic sale side," a market expert said.

General elections in India are due in April-May next year.

Fitch Ratings had earlier this month predicted that the incumbent Narendra Modi administration is "most likely" to retain power in the elections.



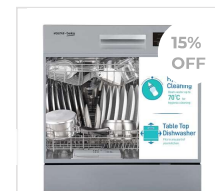
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One of the challenges before the government with regard to strategic sale of Rashtriya Ispat Nigam Ltd (RINL) or Vizag Steel is vehement opposition by employee unions.

Although the government has been narrating the turnaround success story of Neelachal Ispat Nigam Ltd (NINL), which was bought by Tata Steel Long Products (PSLP) in 2022 for Rs 12,100 crore, RINL privatisation still remains a challenge as employees are demand that it be given to a public sector company.

After the successful privatisation of the then loss-making Air India to Tata group and NINL to TSLP in 2022, the government was hopeful of going ahead with more CPSE divestments and reaching a quick conclusion.

However, 2023 has no good news on the strategic sale front. The difficulties involved in the strategic sale process, with the involvement of multiple stakeholders, makes the task at hand a long drawn affair.

Economic think tank GTRI Co-Founder Ajay Srivastava said the pace of PSU (Public Sector Undertaking) stake sales in India has slowed down recently. Compared to a more active 2021-2022, the number of major PSU stake sales in 2023 has been fewer.

"The disinvestment trend has recently experienced a deceleration due to various factors, including extended regulatory processes, global economic volatility, political opposition to privatisation in certain sectors and shifting government priorities in the run-up to the 2024 general elections," Srivastava said.

According to him, the disinvestment of certain PSUs, particularly in strategic sectors like defence (BEML) and shipping (SCI), face public and political resistance, leading to postponements and policy reassessments.

"With the general elections approaching in 2024, the government's focus may shift to other political agendas, impacting the priority of these stake sales," he said.

Out of the around Rs 4.20 lakh crore raised in the last 10 years from disinvestments, Rs 3.15 lakh crore was realised from minority stake sales and Rs 69,412 crore came from strategic transactions in 10 CPSEs -- HPCL, REC, DCIL, HSCC, NPCC, NEEPCO, THDC, Kamarajar Port, Air India and NINL.

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period has been the engagement with the private sector as a partner in the development process. The government's disinvestment policy has been revived in the last eight years with stake sales and the successful listing of PSEs (Public Sector Enterprises) on the stock market," the Economic Survey 2022-23 had said.

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