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Govt. concedes disinvestment stalled by multiple challenges

Disinvestment receipts so far this fiscal total ₹35,282 crore versus revised estimates of ₹50,000 crore; Finance Ministry has set an FY24 Budget target of ₹51,000 crore, a nine-year-low

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The Finance Ministry, which last month pared the government's disinvestment target for 2023-24 to a nine-year low of ₹51,000 crore, has now publicly acknowledged the numerous challenges it is facing in its efforts to privatise public sector enterprises

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Outlining the key obstacles to the disinvestment process, the Ministry has noted that the COVID-19 pandemic seriously impacted transactions in 2020 and 2021, followed by the Ukraine conflict last year, which hurt minority stake sales as well as strategic sales as "financial capacity and risk-reward options of potential bidders turned worse".

"Apart from the global challenges, strategic disinvestment transactions have to deal with matters such as resolving land title, lease and land use issues with State government authorities, disposal of non-core assets, excess manpower and labour unions, protection of process and functionaries etc," the Ministry said in its annual report for 2022-23.

Multiple court cases filed by employees' unions and other interest groups against the disinvestment policy as well as specific transactions were also hindering deals. "Any of these issues may impact the transaction timeline," the Ministry pointed out.

"Challenges to disinvestment through minority stake sale include reduced availability of government stake over 51% for large listed central PSEs; relatively muted perception of investors in these stocks as compared to private sector peers; price overhang in the market due to high disinvestment target and frequent use of exchange traded funds (ETF) route for stake sale till 2019-20," it added.

Between 2016-17 and 2019-20, the government had raised almost ₹99,000 crore from ETFs with underlying shares of CPSEs.

Disinvestment receipts so far this year amount to just ₹35,282 crore, as opposed to a Budget target of ₹65,000 crore and revised estimates of ₹50,000 crore. The privatisation of Central Electronics and Pawan Hans had to be scrapped after being announced, owing to legal concerns about the winning bidders.

The one strategic sale completed in 2022-23 is that of Neelachal Ispat Nigam Ltd. (NINL) to a Tata group firm. NINL was a joint venture between four CPSEs and two State PSEs from Odisha, with no direct Government of India holding.

The proposed privatisation of BPCL and a SAIL unit -- Bhadrawati Steel – had been called off due to lack of sufficient interest among bidders. A planned sale of two other one general insurance firm, announced in the Union Budget two years ago, is also off the table for now.

The government's focus in 2023-24 will be to conclude transactions that are a "work in progress" such as IDBI Bank, NMDC Steel, Concor, Shipping Corporation of India and BEML, Tuhin Kanta Pandey, Secretary, Department of Investment and Public Asset Management, had told *The Hindu* last month.

There has been a pause in ETF issuances since 2020 as not enough stocks are available for sale. "Also, there has been concern that large and repeated tranches of equity ETF were acting as a disincentive for investors in public sector stocks due to price overhang," the Ministry observed.

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