

GOVERNMENT STARTS PROCESS TO CUT STAKE IN STATE-RUN FIRMS

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

NEW DELHI: The government has kick-started the process of diluting its stake in state-run companies below 51% and has identified nearly a dozen firms for implementing the Budget announcement. The department of public investment and asset management (Dipam) is in the process of floating a discussion paper to consider the pros and cons of the move and thrash out a strategy for rolling out the plan that is expected to account for a significant share of this year's target from asset sales, which has been estimated at Rs 1.05 lakh crore.

The nearly dozen companies, which have been identified in a preliminary list, include those in which the government's holding ranges from about 50% to 60%. Sources in the government said that Dipam will hold consultations with various ministries to try and resolve any issues linked to the stake dilution.

They said the government wants to make sure that crucial issues such as reservation policy in PSUs need to be discussed threadbare to ensure that no controversies emerge after the stake dilution. Among the companies that may be taken up for [disinvestment](#) are IOC, [NTPC](#), Power Grid, [Oil India](#), GAIL, NALCO, BPCL and EIL, the sources said.

They made it clear that no final view has been taken on the process and once the discussions are over, a Cabinet note will be floated. They also pointed out that the quantum of dilution has also not been finalised and would depend on how the discussions proceed.

The sources also said that the government is aiming to wrap up at least two-three such cases by the third quarter of the current financial year that ends in March. Finance minister [Nirmala Sitharaman](#), in her maiden Budget speech in July, had said that the government is considering, in cases where the undertaking is still to be retained in government control, to go below 51% to an appropriate level on a case-to-case basis. She had said that the government has also decided to modify the present policy of retaining 51% government stake to retaining 51% stake inclusive of the stake of government-controlled institutions.

In a post-Budget interview, the then Dipam secretary Atanu Chakraborty had said, "The basic understanding is that we can go below 51% on a case-to-case basis. How 51% is to be calculated also has to be stated. Government has also decided to modify present policy of retaining 51% stake inclusive of stake from government-controlled institutions. Large stake is held by public financial institutions or cross holdings, then that adds to 51% and that leaves very little float for people to come in. Now, with this the float is more."

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