

'DISINVESTMENT DEALS MATTER, NOT TARGETS'

Relevant for: Indian Economy | Topic: Investment Models: PPP, SEZ, EPZ and others

Privatisation deals take a “longish” time to conclude through due process and resolution of multiple obstacles, he added.

The government had estimated Rs. 1.75 lakh crore as disinvestment receipts in 2021-22, which has now been revised to Rs. 78,000 crore, while it raised just about Rs. 33,000 crore in the previous year against a stiff target of Rs. 2.10 lakh crore.

“You can always do the sales and get the proceeds on the receipts side [but] if you are obsessed with raising money, you will do the easy hanging fruit like... let's hand over HPCL (Hindustan Petroleum Corporation Limited) to ONGC (Oil and Natural Gas Corporation Limited), sell an electronics unit to Bharat Electronics Limited. You can rotate the government's equity and get some money. But that is not how the new Public Sector Enterprises (PSE) policy has envisaged it,” Mr. Pandey said.

“If you are keeping too high a target in the Budget, then there is an apprehension in the market that we are going to dump some stocks and existing shareholders may get shortchanged if we sell at a discount,” he said, adding that many economists have mooted doing away with such targets in the Budget.

The top DIPAM official also pointed out that apart from privatisation deals, the government's ability to do minority stake sales on the bourses is limited now as its stake in major listed PSEs is already close to the 51% mark.

“We have done Rs. 3.5 lakh crore of divestment over the last four-five years, so to that extent, the equity has gone down and correspondingly, the dividend too. In many large cap companies, we are close to 51% stakes and you can't go very much below and retaining some of that so you will not get much more through share sales,” he said.

Market interest

Mr. Pandey also noted that the government inviting interest from private investors for buying a public sector firm is not enough if there is no corresponding interest in the market.

“Bidders have their own options — they could go buy a private entity or pick up a company from the NCLT (under the insolvency code), or they could look at what the government is offering. That assessment and the intensity of the work involved in the transaction is not very much tuned to very big numbers. Our focus is now on implementation of the new PSE policy,” he said.

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