PSU Disinvestment

What is the issue?

- The Cabinet has decided to approve strategic disinvestment of the government's shareholding in five public sector enterprises (PSUs).
- This can at best be described as a practical exit.

What is Disinvestment?

- Disinvestment is the action of an organization or government selling or liquidating an asset or subsidiary.
- Absent of sale of an asset, it refers to capital expenditure reductions, which can facilitate the re-allocation of resources to more productive areas within an organization or government-funded project.

Why this decision was taken?

- **PSUs** - The government will disinvest its shareholding in 5 PSUs.
    1. Bharat Petroleum Corporation Limited (BPCL),
    2. Shipping Corporation of India (SCI),
    3. Container Corporation of India (CONCOR),
    4. Tehri Hydro Power Complex (THDC) India Limited and
    5. North Eastern Electric Power Corporation (NEEPCO).
- Faced with a massive shortfall in revenue and capital receipts, the share sale is aimed at helping the government narrow the yawning fiscal gap.
- **Facts** - As of 30th September 2019, net tax revenue had only reached 36.8% of the budget estimate of ₹16.5 lakh crore for the full year.
- According to the Controller General of Accounts, the non-debt capital receipts were at 17.2% of the fiscal's target of about ₹1.2 lakh crore.
- Finance Minister Nirmala Sitharaman had made clear in 2019 Budget speech that select and strategic disinvestment would remain a priority.
- The Cabinet's decision to sell the Centre's entire 53.29% ownership in BPCL, all of its 63.75% holding in SCI and 30.8% of its stake in CONCOR is an attempt at ensuring the actualisation of this policy approach.

What is the rationale behind this move?

- **Unclear move** - The underlying rationale behind this government's disinvestment programme remains unclear.

- It would be perfectly understandable if the aim was to exit unprofitable, non-strategic businesses.
- But, BPCL is a profitable refiner and oil marketing company that has consistently paid a healthy dividend.
- It has also made investments in upstream energy resources and holds interests in overseas hydrocarbon blocks.
- To that extent, a full sale now deprives the government of all upside potential.
- The BPCL stake could fetch the national treasury about ₹59,000 crore.
- So, the Cabinet's decision to carve out and exclude the company's holding in Assam's Numaligarh refinery would surely peel the price it could get from a prospective buyer.
- **Political precedence** - The lack of an explanation for the logic behind the move also hints at politics taking precedence over any economic interest.
- Especially, the ruling party is keen to strengthen its newfound sway in the restive north eastern States.

Why should the government fasten the process?

- With just a little over four months left in the financial year, how the government intends to actually complete the transaction is a big question.
- The government will transfer its stakes in THDC India Limited and NEEPCO to the captive buyer, state-owned National Thermal Power Corporation Limited (NTPC) will obviously take time.
- This will take time as the market sale of the bigger-ticket stakes may pose a challenge.
- With just ₹17,364 crore of the ₹1.05 lakh crore disinvestment target realised so far, the Centre has little choice but to expedite these strategic sale proposals in double-quick time.

Source: The Hindu

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