MBA I Sem
Managerial Economics
Time : 12 to 1.
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DISINVESTMENT IN INDIA 2021

DISINVESTMENT: is a policy of Public sector reforms. It means of a part of the ownership of Public sector enterprises (PSEs) to the public. It is a kind of privatisation ~~of Public sector enterprises (PSEs) to the public.~~ or denationalization by the government.

The main objectives of disinvestment have been to (i) broad base the ownership of PSEs and (ii) augment receipts of the government. Besides, the disinvestment proceeds are to be used towards (a) meeting expenditure in social sectors (b) restructuring of Public enterprises (P.E) and (c) retiring Public debt.

DISINVESTMENT POLICY BUDGET 2021 SILENT FEATURES:

Budget is a government to revive the economy after the year that we are have had where every thing from consumption, investments and exports has fallen. In the first quarter of 2021 the economy 24% fall post that there has been a continued reversal of trend. Now almost a year after Covid-19 first hit our shores. The govt is attempting to rebuild the economy through infrastructure spending. Investments in sector specially MSMEs

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and focusing on a growth formula through upskilling and Innovation.
ETILC hosted an exclusive post-budget analysis session with over 50 CEO involved engaging with senior members from ~~KPM~~ KPMG India.

The numbers in the Budget :-
The government has factored in a 14.4% growth in GDP for FY 21-22 which is real GDP growth of 11% if one accounts for 3.4-4% inflation. For this to be achieved, the service sector would have to grow at 25-30% for a total GDP growth of over 14%. A total receipt of Rs 17.88 lakh crore rupees has been budgeted for tax and non tax revenue and 34.83 lakh crore rupees of expenditure has been budgeted for FY 21-22

Euphorea of the markets -
There are two reasons for the euphoria of the markets surrounding the budget.
First the market was expecting an increase in taxes but there has been no increase in taxes nor has been an introduction of any fresh taxes.
Second the market has responded to the year on year increase in government expenditure which results in more growth for Corporates.

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Attracting Capital:

There is a strong policy push in this budget to attract capital, the kind India has never attracted before.

The government has said that it will be putting public operating infrastructure in the control of private capital.

In order to do this, they will be seeking to attract capital from vechiles such as REITS and InVits.

There is a policy pronouncement which promises that within a short amount of time the necessary framework will be ready for FPI debt to flow into public and private REIT and InVits.

While the government understand its constraints, it has allowed the fiscal deficit to slip.

It has not cut back on expenditure, at the same time. It is planning for future generations by long term capital 14-18 years capital to flow into these vechiles. The government has also introduced zero coupon bonds and formation of DFI - debt funding for infrastructure projects, There is a budgetary allocation for Rs 20,000 crore for DFI

PSU Divestment programme -

The government has set out a very realistic PSU divestment programme - two banks, one insurance company and they have mentioned an LIC IPO. According to experts Rs 1.75 lakh crore is a very conservative target

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and in all probablity the government could raise more. Also to increase IRR on disinvestment deals to increase returns for bidders. the government has made changes in the tax laws, to essentially accord tax neutral treatment to these disinvestment deals and to accord certain tax benefits to the buyers.

As on January 29, 2021, the government had raised Rs17,957,70 crore through minority stake sale in central public sector enterprises (CPSEs) and share buy backs this fiscal year. In all, it has raised Rs 35,094.12 crore from disinvestment proceeds.

Disinvestment target of 2021-22 Achievable-

The disinvestment target of Rs 1.75 lakh crore for 2021-22 was "imminently achievable" chief economic Advisor (CEA) KV Subramanian on Standay said the proposed initial public offering (IPO) by LIC itself could garner Rs 1 lakh crore for the government.

He also said retail inflation targeting by the Reserve Bank of india (RBI) has helped in bringing down the volatility and level of inflation.

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The RBIs monetary Policy Committee has
been mandated to maintain annual
9 inflation at 4 percent until march 31, 2021
with upper tolerance of 6 per cent and lower
10 limit of 2 per cent.

Speaking at a virtual Conference by Jana
11 Small finance bank, subramanian
said the disinvestment target of Rs 1.75
12 Lakh Crore for 2021-22 is a Carryover of the
Rs 2.10 lakh Crore target set for current
1 fiscal ending march 31.

"BPCL privatisation and LIC listing itself
2 were important contributors. Estimate are
suggesting of Rs 75,000 – 80,000 Crore or
3 even higher can just come from the privatis
-ation of BPCL itself. LIC IPO could bring
4 in Rs Lakh Crore approximately" he said.
The government is selling its entire 52.98
5 per cent stake in BPCL in the nations biggest
privatisation till date. Vedanta Group
6 and private equity firms Appollo Global
and I squared Capital's Indian unit thrill
Gas have put in an expression of interest
for buying the government's stake.

Concerning LIC listing, the government has
already got amendments in the LIC Act
passed through finance bill 2021 in parliament
earlier this week.

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Prime minister Modi had last month said the government has no business to be in business and his administration is committed to privatising all PSUs barring the bare minimum in four strategic sectors.

Subramaniam also emphasised that India needs a lot more banks for meeting its growth potential.

Citing an example of the US, he said America which has one third the population of India has about 25,000-30,000/- banks.

On the long term growth story of India, he said the economy is expected to record double digit growth next financial year. During 2022-23, it could moderate to 6.5-7 per cent thereafter 7.5-8 per cent, aided by the reform measures announced by the government recently he, added.

20 Govt PSU will be sold to private firms, 6 PSUs will shut down (Full list)

The minister of state for finance, Anurag Singh thakur said that over 20 central public sector enterprises (CPSE) and their units are at various stages of strategic disinvestment and six are being considered for closure or are under litigation.

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On Monday, Singh said the govt follows a policy of disinvestment through a strategic stake sale and minority stake dilution while answering a question in the Lok Sabha

Contents
- 1. What about the employees?
- 2. Which CPSEs are on the verge of closure?
- 3. Which CPSEs are considered for sale
- 4. CPSEs completed sale.

What About the employees?

Under Strategic disinvestment, the govt considers the substantial sale of govt shareholding of CPSEs, which are not in the priority sector, along with transfer of management control.

Singh said, "Based on criteria laid down by NITI Aayog, the govt has in principle approved strategic disinvestment in 34 cases since 2016, out of which strategic disinvestment in 8 cases has been completed six CPSEs are under consideration for closure and litigation and remaining 20 transactions are at various stages.

Further, to safeguard employees interest, Singh said "while deciding the terms and condition of the strategic sale, employees concern are suitably addressed through appropriate provisions made in the Share purchase Agreement (SPA) to be signed

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by the govt with strategic buyer."

Which CPSEs Are on the Verge of Closure?

If we talk about the closure, Hindustan Fluorocarbon Ltd (HFL), Scooter India, Pump & Compressors Ltd, Hindustan Prefab, Hindustan Newsprint, and Karnataka Antibiotics & Pharmaceutical Ltd are the CPSEs which are being considered for the closure / under litigation.

Which CPSEs Are Considered for Sale?

On the other hand, Engineering Project (India) Ltd Project & Development India Ltd, Bridge and Roof Co India Ltd, units of Cement Corporation of Ltd (CCI), Central Electronics Ltd, Bharat Earth Movers Ltd (BEML), Ferro Scrap Nigam Ltd, Nagarnar Steel plant of NMDC are the transac-tion which are still in process pipeline.
Apart from these, the strategic sale of Alloy steel plant which includes Duragapur, Salem steel plant, Bhadrawati units of SAIL, Pawan Hans, Air India and its five sub-sidiaries and one JV (Joint Venture) are also under process.
The other firms which are being considered for strategic sales include organization like HLL Life Care Ltd, Indian medicines & pharmaceutical Corporation Ltd, Various

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of indians Tourism Development Corporatn (ITDC), Hindustan Antibiotics, Bengal chemicals and pharmaceuticals, Bharat petroleum corporation Ltd (except Numaligarh Refinery Limited), BPCL stake in Numali-garh refinery limited to a CPSE strategic buyer, Shipping Corporation of india, Container Corporation of india and Neelachal Ispat Nigam Ltd.

CPSEs Completed Sale—

Some CPSEs strategic sale has already been completed that includes name like REC, HPCL, Hospital Service Consultancy, National project construction Corporations, Dredging Corporation, THDC India Ltd, North eastern Electric power Corporation Limited (NEEPCO) and Kamaraj -airport

Tag: 20 government PSUs, Central Public sector Enterprises, CPSE, CPSE for sale, privatisation of CPSE, PSUs, Sale, Six PSU, strategic disinvestment, will be sold, will shut.