Concerns with Dis-investments

What is the issue?

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- Union government is taking various disinvestment plans to get rid of fiscal burdens.
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- Lack of transparency in operations of PSUs hinders the disinvestment plans.
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What are the process involving in disinvestment?

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- The disinvestment programme of the public sector units usually made through
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1. **Market sales -** This a direct sale method, where PSUs returns capital to the Union government through buyback offer.
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2. **New listings -** This method involves sales through stock markets, by which IPOs for various companies are announced.
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3. **Strategic sales -** This is through giving up shareholdings of the PSU companies which needs to be disinvested.
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What are the concerns with this disinvestment programme?

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- The disinvestment measures stated were made possible, with a certain effort from the government.
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- But the disclosures by the PSUs for their IPOs lack sufficient company level data on segment wise revenues, products, clients and key data on costs and profits.
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- This attitude of withholding information is not helping as the competing private entities and listed companies disclose their operations.
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What changes are needed to improve ratings of the PSUs?

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- Union government has to learn from the private sector firms, which prepare for the debut with corporate campaigns and multi media advertising before IPOs.
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- Before disinvestments the head of the PSUs should make media appearances presenting the prospectus and vision of the organisation.
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- The offering window has to be extended to ensure the prospective investors have time to study the PSUs and make the purchase.
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- The timing for IPOs also has to be worked out such that the PSUs profits are rising and it is presented positively.
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Source: Business Line

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