Strategic Disinvestment of PSUs

Why in news?

The cabinet committee on economic affairs (CCEA) has approved strategic disinvestment in BPCL and four other PSUs.

What is the decision?

- The government has agreed to sell its stakes in five state-run companies:
    1. Bharat Petroleum Corporation Ltd. (BPCL) - Centre's entire 53.29% ownership
    2. Shipping Corporation of India Ltd. (SCI) - Centre's entire 63.75% holding
    3. Container Corporation of India Ltd. (CONCOR) - 30.8% of Centre's stake
    4. Tehri Hydro Development Corporation India Limited (THDCIL)
    5. North Eastern Electric Power Corporation Limited (NEEPCO)
- Strategic disinvestment of CPSEs will be undertaken through already established procedure and mechanism.

What is the government's rationale?

- The government faces a massive shortfall in revenue and capital receipts.
- As of September 30, 2019, net tax revenue had only reached 36.8% of the budget estimate of Rs. 16.5 lakh crore for the full year.
- The non-debt capital receipts were at 17.2% of the fiscal's target of about Rs. 1.2 lakh crore.
- Given this, the share sale is aimed at helping the government narrow the widening fiscal gap.

What are the concerns with the decision?

- It is understandable if the government's aim was to exit unprofitable, non-strategic businesses.
- However, BPCL is a profitable refiner and oil marketing company that has consistently paid a healthy dividend.
- BPCL 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 exchequer about Rs. 59,000 crore.
- But, the decision to carve out and exclude the company's 62% holding in Assam's 3-million metric tonnes per annum Numaligarh refinery is disputable.
- [In the case of BPCL, the strategic disinvestment will be for BPCL minus Numaligarh Refinery, which will be retained by the government.]
- This would surely affect the price the government could get from a prospective buyer.
- Also, the lack of an explanation for the logic behind the move hints at politics taking precedence over any economic interest.

What are the challenges ahead?

- There is just a little over four months left in the financial year (2019-20).
- Given this, how the government intends to actually complete the transaction is uncertain.
- The process includes appointment of advisers, deciding on the pricing mechanism and initiating a transparent bidding process before finalising a buyer.
- Of the Rs. 1.05 lakh crore disinvestment target, just Rs. 17,364 crore has been realised so far.
- So, the Centre has little choice but to expedite these strategic sale proposals in double-quick time.

Source: The Hindu, Livemint

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