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## Modi shows preference for revival of PSUs

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In his Independence Day speech on Monday, Prime Minister Narendra Modi said the government had succeeded in turning around loss-making public sector behemoths like Air India and Bharat Sanchar Nigam (BSNL).

While the statement in itself is only a small part of a larger speech listing out the government's major achievements over the past two years, it may be an indication that in spite of budgetary announcements, the Prime Minister has greater confidence in the process of reviving loss-making public-sector units (PSUs) rather than selling them.

"In our country, the PSUs are formed to fall in a pit, to fail, to get locked or to be sold out. That has been the history. We have tried to bring in a new culture. And, today, for the first time, I can say with satisfaction that Air India, which had a bad image, succeeded in registering an operational profit last year," Modi said in his third Independence Day speech from the ramparts of Red Fort.

"At a time when telecom companies all over the world were earning, BSNL was falling in a pit. For the first time, BSNL has succeeded in earning operational profit,"

Modi added. Finance Minister Arun Jaitley has budgeted a rather ambitious disinvestment target of ₹56,500 crore for FY17. Of which, ₹36,000 crore is

to come from the reduction in the Centre's stake in listed PSUs through stake sales and buybacks.

As much as ₹20,500 crore is to come from strategic sales. The rather long process of strategic sales involves NITI Aayog, Department of Investment and Public Asset Management (DIPAM), line ministries and the Cabinet. On the minority stake sale front, things

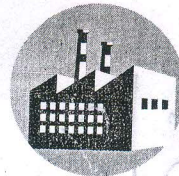
are going well. DIPAM has already issued requests for proposal or appointed merchant bankers for Cochin Shipyard, Hudco, ITDC, NBCC, State Trading Corp, SUUTI, MMTTC, National Fertilizers, NMDC, Oil India, Rashtriya Chemicals and others. Hence, it has a lot of stake sales planned. Additionally, new PSU guidelines demand that every central PSU with a net worth of at least ₹2,000 crore, and cash and bank balance of ₹1,000 crore will buy back shares. Coal India, NMDC,

Nalco, MOIL and Bharat Electronics have already cleared buybacks and other big PSUs are expected to follow suit.

On the strategic sale front, though, there seems to be a lot

of confusion, contrasting reports and lack of clarity, especially when it comes to Niti Aayog's role. The Aayog has been tasked with identifying with the PSUs for strategic sale, advising the government on the mode of sale, and suggesting methods on valuation of the company.

There have been multiple reports of lists of PSUs that have been sent to the Prime Minister's



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office, only for the NITI Aayog to send rejoinders when a newspaper named a few of the companies. A panel under the Aayog, on revival of sick PSUs, has reportedly suggested that any sale of such companies should not include their capital assets such as land, machinery, facilities, warehouses, plants, etc. While land banks seem to have been ruled out of any sale, several policymakers, including Jaitley, have stated that facilities, factories, plants, hotels and office spaces will be considered.