Vital Stats
Disinvestment in India

On October 8, 2021, the Cabinet Committee on Economic Affairs approved the bid placed by Tata Sons Private Limited to acquire the government's entire stake in Air India. The transaction is expected to be completed by December 2021. In the Union Budget for 2021-22, the central government pegged the receipts from disinvestment at Rs 1.75 lakh crore. In the Budget speech, Finance Minister Nirmala Sitharaman announced that the government will complete the disinvestment of Air India, Bharat Petroleum Corporation Limited, and IDBI Bank in 2021-22. In light of this, we look at the trends in disinvestment receipts of the central government over the years.

While disinvestment targets have become aggressive, actual receipts have fallen short of the targets

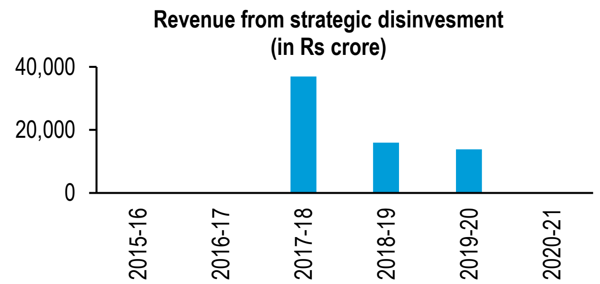
Disinvestment targets vs receipts (2010-20)

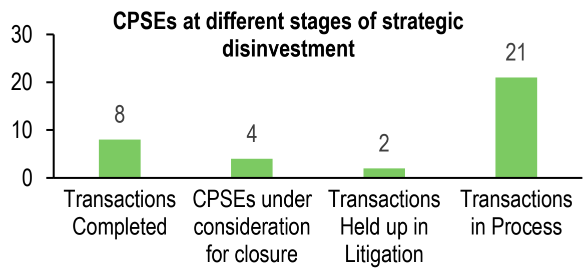
Year	Budget Estimate (in Rs crore)	Actuals (in Rs crore)	Percentage of estimate realised
2010-11	40,000	22,846	57%
2011-12	40,000	18,088	45%
2012-13	30,000	25,890	86%
2013-14	54,000	29,368	54%
2014-15	58,425	37,737	65%
2015-16	69,500	42,132	61%
2016-17	56,500	47,743	85%
2017-18	72,500	1,00,045	138%
2018-19	80,000	94,727	118%
2019-20	1,05,000	50,304	48%
2020-21	2,10,000	32,886	16%

Note: Figures from Union Budget Accounts. Actuals for 2020-21 taken from Controller General of Accounts.

- Since 2010, barring two years (2017-18 and 2018-19), the central government's actual receipts from disinvestment have consistently fallen short of the budget estimate. In 2017-18, 37% of the disinvestment receipts were raised from the strategic disinvestment of Hindustan Petroleum Corporation Limited (HPCL), and 24% were raised from the listing of various central public sector enterprises (CPSEs). In 2018-19, government raised Rs 45,080 crore from exchange-traded funds and also concluded the sale of REC Limited.
- So far, in the current financial year, the central government has raised only 5% of the disinvestment target that was set in the Budget (Rs 9,111 crore, excluding receipts from the sale of Air India and its subsidiaries). The Standing Committee on Finance has noted that the disinvestment process usually takes a long time with some entities even undergoing a fourth iteration. In as many as 21 cases, cleared by the Union Cabinet since 2015-16, the central government is yet to conclude strategic disinvestment transactions.

Strategic disinvestment has not involved privatisation and has been affected by delays





Note: Includes Air India. Does not include IDBI Bank which was cleared for strategic disinvestment in May 2021.

- Strategic disinvestment involves sale of a substantial portion of the government's shareholding in a CPSE (up to 50% or more) along with transfer of management control.
- In the last six financial years, all the transactions where the government sold more than 51% of its shareholding in CPSEs, along with transfer of management control, have involved another CPSE picking up the government's stake. In 2017-18, the government raised Rs 36,915 crore from the sale of HPCL to the state-owned Oil and Natural Gas Corporation Limited. Similarly, in 2018-19, the government received Rs 14,500 crore from the sale of REC Limited to Power Finance Corporation Limited which is another state-owned company in the power sector.
- Several strategic disinvestment transactions have been in the pipeline for a long time. For instance, sale of Bharat Petroleum Corporation Limited, approved in November 2019, is yet to be concluded.

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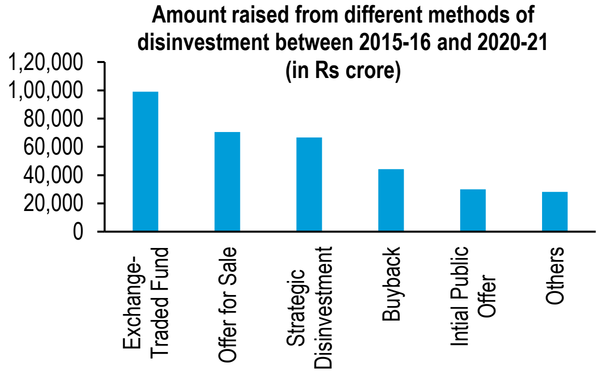
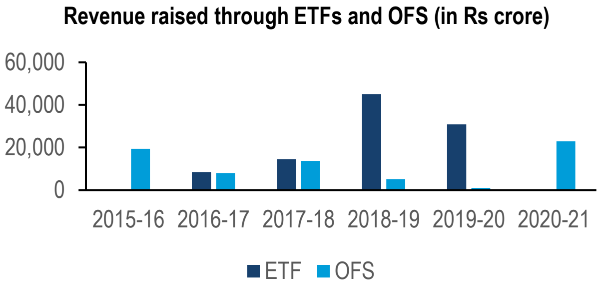
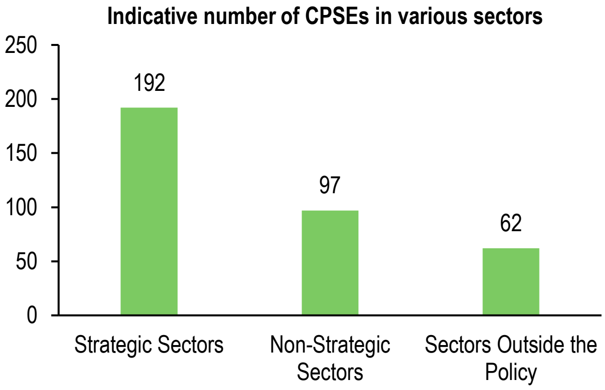
Exchange-traded funds have brought the maximum disinvestment receipts for the government





- The government uses various methods for disinvestment. In the last six years, the most significant modes of disinvestment have been exchange-traded funds (ETFs), offer-for-sale (OFS), strategic disinvestment, buybacks, and initial public offer (IPO).
- An ETF is a basket of stocks. The government has two primary ETFs: (i) CPSE-ETF and (ii) Bharat 22 ETF. Between 2015-16 and 2020-21, the government raised the maximum disinvestment receipts from ETFs.
- OFS involves the sale of government's shareholding in listed CPSEs in the stock market. However, even this has involved CPSEs buying significant stake in other government companies. For instance, in 2015, Life Insurance Corporation of India (LIC) picked up 45% of a 10% OFS in Coal India Limited. In March 2013, LIC bought 71% of 5.82% stake sale in Steel Authority of India Limited.

New Public Sector Enterprise (PSE) Policy aims to privatise CPSEs across sectors



Note: Companies that have already been cleared for strategic disinvestment/closure are not included.

- According to the new PSE policy, the central government has divided most sectors into strategic and non-strategic.
- In strategic sectors, the government will maintain a bare minimum presence. The remaining entities will be considered for privatisation, merger, subsidiarisation or closure. Sectors categorised as strategic include: (i) atomic energy, space and defence, (ii) transport and telecommunication; (iii) power, petroleum, coal and other minerals, and (iv) banking, insurance, and financial services.
- CPSEs in non-strategic sectors will be either privatised or closed.
- Certain sectors such as development financing/refinancing institutions, major port trusts, and CPSEs providing support to vulnerable groups have been kept out of the framework.

Sources: Department of Investment and Public Asset Management; Union Budget documents; 25th Report of the Standing Committee on Finance, March 16, 2021; Annual Report (2018-19), Department of Investment and Public Asset Management; New Public Sector Enterprise ("PSE") Policy for Atmanirbhar Bharat, Department of Investment and Public Asset Management, February 4, 2021; "LIC picked up 71% of shares divested by govt in SAIL on Friday", The Economic Times, March 26, 2013; "In Coal India stake sale LIC bought almost 50% of shares on offer", The Economic Times, February 2, 2015; PRS.