

{ THE BIG PICTURE }

Disinvest State stake in PSUs for market boost

How to make government the biggest beneficiary of the current bull run

The BSE Sensex has moved up from 51,360 on June 13, 2022, to its current level of 81,381. New issuances in the equity market between April-September 2024, have seen 196 IPO listings, of which 159 have been on the NSE/BSE SME index. Bajaj Housing Finance IPO's total issue size of ₹6,560 crore was oversubscribed 63 times with subscriptions exceeding ₹3 lakh crore. Gone are the days of 100% subscribed issuances. On the contrary, 77 of the 159 SME issuances were subscribed more than 200 times the issue.

The government of India (GOI) owns 389 central public sector enterprises (CPSEs) and their subsidiaries. If we took just the top 50 listed CPSEs, their aggregate market capitalisation has risen from ₹23 lakh crore in 2022 to ₹66 lakh crore (about \$800 billion as of October 4, 2024), or about 21% of our Gross Domestic Product (GDP). GOI holding in CPSEs is valued at over ₹44 lakh crore (about \$525 billion), with a holding of around 67% on an average basis.

If we were to compare the GOI holdings in its companies versus that of larger pri-

vate conglomerates in India, we observe that their average shareholding ranges between 18% and 56%, across a sample of Tatas, Birlas, Mahindra, and Bajaj. In 25 out of the 30 listed companies, the parent shareholding is below 51%, but they do ensure that they are the single largest share owner. They run these companies well, treating minority shareholders fairly and in compliance with the laws of the land.



Janmejaya Sinha



Neha Gupta

Consider as a thought experiment that GOI followed suit and reduced their holding from 67% to 33% in the top 50 PSEs. They would instantly obtain ₹22 lakh crore (\$250 billion) at the current price to book of these companies. What may ₹22 lakh crore get GOI?

To put this number in sharp perspective, the total GOI debt is ₹250 lakh crore of which the Centre's share is ₹174 lakh crore (about \$2 trillion) at the end of FY24. Expected gross borrowings for FY25 are expected to be ₹14 lakh crore. In FY24, it was ₹10.5 lakh crore and constituted 24% of GOI budgetary expenditure. Essentially, ₹22 lakh crore could service the entire debt of GOI for FY24 of ₹10.5 lakh crore, and, in addition, almost eliminate the need for any borrowing in FY25.

Almost everyone believes if GOI were to bring its holding down below 51% the multiple for these companies would rise, antic-

ipating governance improvements due to increased market pressures, thereby increasing the amount of money GOI could raise.

There are other benefits that accrue also. A reduction of India's debt-to-GDP ratio would improve the prospects of a credit rating upgrade reducing the cost of borrowings. Further, the release of equity float in the markets could help arrest the ongoing frothiness witnessed in our bourses. There is enough and more evidence of the highly exuberant behaviour being displayed by market participants. Strange things are witnessed; three of the four public sector banks (PSBs) with the highest price-to-book ratios (higher than the State Bank of India) are also among the bottom five performers of the sector. Their valuation is thus not driven by performance, but by more money chasing a low free float as GOI holding in all these four stocks is over 90%.

Bringing more scrips into the market would also help in terms of releasing money back into the system for capex funding by the banks. We have seen credit growth outpace deposit growth for the last nine quarters, and the just concluded Q2 is not expected to be any different. This has translated into many banks pulling back on credit growth across retail and corporate avenues. However, as GOI reduces its debt, thereby moving money from Reserve Bank of India (RBI)-held GOI nodal accounts to bank-held investor accounts, it will inject much-needed liquidity back into the sys-



There is hunger among investors to participate in the equity market almost to the extent of instability from frothy valuations REUTERS

tem.

GOI would do well to begin with by creating an advisory board of eminent persons who would be a recommending body to the Union finance minister about the scrips to disinvest in and across what time frame (to reduce the risk for the bureaucrats that will be responsible for the actual sale). To begin with, GOI could start this process in a phased manner. It could begin by reducing its holdings in the well-performing PSBs to 51%. These PSBs have consistently outperformed their private peers and have seen a doubling in their total market capitalisation from ₹7.3 lakh crore in March 2022 to ₹15.5 lakh crore in February 2024.

The value of government holding in these entities is about ₹10.7 lakh crore. Just taking this down to 51% will release almost ₹2.9 lakh crore, and taking it down to 33% could release ₹5.7 lakh crore. This does not incorporate any change in valuation due to dilution of government holding which could easily add another trillion of value unlock.

So, to summarise, there is a hunger amongst investors to participate in the equity market almost to the extent of instability from frothy valuations. There is intent on the part of GOI to make a Viksit Bharat. Reducing GOI holding to 33% in CPSEs, yet remaining the single largest

owner, in just the top 50 CPSEs could give a bull market boost of ₹22 lakh crore.

Nobel Laureate Paul Samuelson wisely said, "Investing should be more like watching paint dry or watching grass grow. If you want excitement, take \$800 and go to Las Vegas." Dear finance minister, the paint is dry enough, and the grass is long enough for GOI to start creating some excitement. Let's just do it for India and signal the next phase of worthy reforms.

Janmejaya Sinha is chairman BCG, India, and Neha Gupta, is managing director and partner, BCG. The views expressed are personal.

Cleaner fuel: NCR industries get 5-yr subsidy relief

Abhijay.Jha@timesofindia.com

Ghaziabad: Uttar Pradesh govt has extended its generator subsidy for polluting industries in NCR districts for five years from this month, giving them relief as they are asked to fall in line with CAQM's winter action plan.

It was in 2019 that UP introduced the five-year subsidy under its micro, small and technical upgradation scheme to help industry owners convert to cleaner fuel after they complained that the switch was too costly and had hit their production costs.

"From Oct 1 this year, the scheme is being extended for another five years. Under this, a 50% subsidy or Rs 5 lakh (whichever is less) will be given to micro and small-scale industrial units to purchase or retrofit generators that will operate on cleaner fuel like LPG, natural gas, biogas, propane, and butane," said Sreenath Paswan, deputy commissioner of industries in Ghaziabad. The subsidy has been divided into different categories. For instance, those buying generators costing between Rs 10-40 lakh will get a 40% subsidy or Rs 10 lakh, whichever is less. For generators that cost over Rs 40 lakh, a 25% subsidy or Rs 20 lakh will be provided by the state govt. According to the pollution control board, there are 296 polluting industries that run on biofuel like wood pellets, molasses, husk, and coal, adding to the city's toxic air in winter.

Many industries have been dragging their feet in

switching to clean fuel, citing high conversion costs. While biofuel costs Rs 12 a kilo, PNG is priced at Rs 18.

"Using PNG will force us to hike the cost of a finished product. So, it becomes very difficult for small units to survive in the market. The cost of converting diesel generator sets to PNG is also very high. In addition, industries must pay a security deposit which, though refundable, is also high. A minimum deposit of Rs 1.2 lakh is needed for availing PNG services. The amount increases in keeping with the load," a factory owner said.

Paswan said the decision to extend the subsidy was taken keeping such concerns in mind. "This scheme has been devised precisely for the benefit of industries. The subsidy is given to recover some of the costs that arise because of conversion. Industries should apply for it," Paswan said.

Environmentalists said that the subsidy was for industries that were registered. "There are thousands of industries across Ghaziabad that not only operate illegally but also use bad fuel to operate generators. These are far more polluting. The pollution control board has no data or clear-cut plan to deal with such illegally operating industries. So, a govt scheme like this will have no real effect on cutting down pollution levels in the city," said environmentalist Sushil Raghav.

A pollution board official countered the claim, saying air quality levels had actually improved over the years.



INDIAN SHIPPING FIRM SANCTIONED BY U.S. OVER IRAN OIL CONSIGNMENTS

Press Trust of India

letters@hindustantimes.com

WASHINGTON: An Indian shipping firm is among a dozen-odd companies sanctioned by the US for allegedly carrying Iranian oil for sale to buyers in Asia, days after the US slapped restrictions targeting Iran's energy trade for its October 1 attack on Israel.

The India-based company was involved in the transport of Iranian petroleum as the technical manager of a crude oil tanker and engaged in a significant transaction for the transport of petroleum from Iran as part of a Ghost Fleet, the US state department alleged.

The latest American sanctions against several companies across the world come in response to Iran's October 1 ballistic missile attack against Israel.

"This attack targeted Israel's most populated city, Tel Aviv, and could have killed hundreds if not thousands of innocent people," US National Security Advisor Jake Sullivan said.

Following that attack, the US had made it clear that Iran would face severe consequences, he said, and added, the departments of treasury and state on Friday announced the "new and significant measures to more effectively target Iran's energy trade."

"The new designations today also include measures against the ghost fleet that carries Iran's illicit oil to buyers around the world. These measures will help further deny Iran financial resources used to support its missile programmes and provide support for terrorist groups that threaten the United States, its allies, and partners," Sullivan said.

The treasury claimed Iran's oil exports are enabled by a network of illicit shipping facilitators in multiple jurisdictions which, "through obfuscation and deception," load and transport Iranian oil for sale to buyers in Asia.

Secretary of the treasury Janet L Yellen said, "Today's sanctions target Iranian efforts to channel revenues from its energy industry to finance deadly and disruptive activity with dangerous consequences for the region and the world."

Consolidation likely

CRUDE CHECK. ₹6,000 and ₹6,500 are key levels

Akhil Nallamuthu

bl. research bureau

Crude oil prices extended the gains last week. The Brent crude oil futures on the Intercontinental Exchange (ICE) went up 1 per cent and ended the week at \$78.9 per barrel. Similarly, the crude oil futures on the MCX was up 0.4 per cent and it closed the week at ₹6,364 a barrel.

BRENT FUTURES (\$78.9)

Brent Crude futures began the week on a strong foot and hit a high of \$81.2 on Monday. However, it could not move up further and the price moderated.

Although the trend has not turned bearish, the chart shows that there is a strong resistance ahead at \$82.

For the contract to establish the next leg of the uptrend, it should breach this level. Resistance above \$82 is at \$88.

On the downside, there is a support at \$75. As long as this level holds, Brent crude futures will retain the bullish bias. Support below \$75 is at \$72.

MCX-CRUDE OIL (₹6,364)

The October crude oil futures rallied and hit a high of ₹6,495



GETTY IMAGES

last Monday. But unable to surpass the barrier at ₹6,500, the price moderated. Nevertheless, it stays above the support at ₹6,000.

The chart shows that crude oil futures is stuck within two key levels at ₹6,000 and ₹6,500. So, even though the contract exhibits a bullish bias now, it ought to breakout of ₹6,500 to see another upswing.

Resistance above ₹6,500 are at ₹6,800 and ₹7,000.

In case the contract falls below the support at ₹6,000, it can drop to ₹5,600. However, the 20-day moving average coincides at ₹6,000, making it a strong base.

Trade strategy: The price action hints that the crude oil futures is likely to stay within ₹6,000 and ₹6,500 for some time. So, traders can refrain from taking fresh trades.

ईरान के तेल को अवैध रूप से ले जाने पर भारतीय कंपनी सहित दर्जन भर प्रतिबंधित

वाशिंगटन, 12 अक्टूबर (भाषा)।

अमेरिका ने ईरान के तेल को एशिया में खरीदारों को बेचने के लिए अवैध रूप से ले जाने के आरोप में दर्जन भर जहाजरानी कंपनियों को प्रतिबंधित किया है। इनमें एक भारतीय कंपनी भी शामिल है।

ईरान के एक अक्टूबर को इजरायल पर किए गए हमले के बाद उसके ऊर्जा व्यापार पर प्रतिबंध लगाए जाने के कुछ दिन बाद ही अमेरिका ने इन कंपनियों पर प्रतिबंध लगा दिए।

इसके अलावा इस मामले में अमेरिकी विदेश

ईरान के एक अक्टूबर को इजरायल पर किए गए हमले के बाद उसके ऊर्जा व्यापार पर प्रतिबंध लगाए जाने के कुछ दिन बाद ही अमेरिका ने इन कंपनियों पर प्रतिबंध लगा दिए। दर्जन भर जहाजरानी कंपनियों को प्रतिबंधित किया है।

विभाग ने आरोप लगाया है कि भारत स्थित कंपनी गब्बारो शिप सर्विसेज भी कच्चे तेल के अवैध परिवहन में शामिल थी।



‘Maharatna’ tag to give HAL wings to fly high

14th CPSE to get the coveted tag ended FY24 with ₹28,162-cr turnover, ₹7,595-cr profit

Shishir Sinha
New Delhi

Hindustan Aeronautics Limited (HAL) is the newest, ‘Maharatna’ Central Public Sector Enterprise (CPSE), the Finance Ministry announced on Saturday. This status will give the company more autonomy in financial and strategic matters.

HAL, the 14th Maharatna, is a Department of Defence Production (DoDP) CPSE with an annual turnover of ₹28,162 crore and a net profit of ₹7,595 crore for 2023-24.

On Friday, the shares of HAL ended at ₹4,446.85, down 0.76 per cent over the previous close.

“The Finance Minister has approved the upgradation of Hindustan Aeronautics Limited (HAL) to 14th Maharatna CPSE,” the Public Enterprises Department said in a post on X. Further, it said that the proposal had earlier been re-



SKY IS THE LIMIT. HAL’s annual report said demand for defence products is expected to grow thanks to the government’s vision for an Atmanirbhar Bharat

commended by the Inter-Ministerial Committee (IMC) headed by the Finance Secretary and the Apex Committee under the Cabinet Secretary.

SIX CONDITIONS

The government has set six key parameters for a CPSE to be considered for Maharatna status. One, the CPSE must already be a ‘Navratna’. Two, it needs to be listed on a stock exchange,

with a minimum SEBI-prescribed public shareholding. It should have an average annual turnover of over ₹20,000 crore, annual net worth of more than ₹10,000 crore, and an average annual net profit of more than ₹2,500 crore during the last three years. And, finally, the CPSE should have significant global presence or international operations.

Talking about its future,

HAL’s annual report (2023-24) had said that in the Defence segment, demand for products is expected to grow thanks to the government’s vision for an Atmanirbhar Bharat and the current geopolitical scenario.

On the commercial side, air travel is likely to continue its upward trajectory. This will lead to an increased demand for new aircraft and MRO services.

“India’s annual Defence production is expected to touch ₹3-lakh crore by 2028-29, along with arms exports of ₹50,000 crore,” the report said, quoting Defence Minister Rajnath Singh. This indicates that the sector, which was so far contributing as a strategic sector, is gradually developing as an economic sector. Various government initiatives have given a thrust to indigenisation of Defence equipment, to reduce dependence on the foreign OEMs, the report added.



Finance Ministry upgrades HAL as 14th 'Maharatna' CPSE

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Indian company among dozen sanctioned by US for illicitly carrying Iranian oil

PRESS TRUST OF INDIA
WASHINGTON, OCTOBER 12

AN INDIAN shipping firm is among the dozen-odd companies sanctioned by the US for allegedly carrying Iranian oil for sale to buyers in Asia days after slapping restrictions targeting Iran's energy trade for its October 1 attack on Israel.

Gabbaro Ship Services, the India-based company, was in-

involved in the transport of Iranian petroleum as the technical manager of crude oil tanker Hornet and knowingly engaged in a significant transaction for the transport of petroleum from Iran as part of a 'Ghost Fleet', the State Department alleged.

The latest American sanctions against several companies across the world comes in response to Iran's October 1 ballistic missile attack against

Israel. "This attack targeted Israel's most populated city, Tel Aviv, and could have killed hundreds if not thousands of innocent people," US National Security Advisor Jake Sullivan said.

Following that attack, the US had made it clear that Iran would face severe consequences, he said, and added, the Departments of the Treasury and State on Friday announced the "new and significant meas-

ures to more effectively target Iran's energy trade." "The new designations today also include measures against the 'Ghost Fleet' that carries Iran's illicit oil to buyers around the world. These measures will help further deny Iran financial resources used to support its missile programmes and provide support for terrorist groups that threaten the United States, its allies, and partners," Sullivan said.



CRUDE WATCH

OIL PRICES SETTLE LOWER

Oil prices settled lower on Friday but rose for the second straight week as investors weighed factors such as possible supply disruptions in the Middle East and Hurricane Milton's impact on fuel demand in Florida.**REUTERS**

US sanctions Indian firm for carrying Iranian oil

ASSOCIATED PRESS
Washington, October 12

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पीएम गति शक्ति योजना ने बदली भारत की तस्वीर

15.39 लाख करोड़ रुपए के 208 प्रोजेक्ट्स किए स्वीकृत

एजेसी नई दिल्ली

पीएम गति शक्ति योजना ने भारत के बुनियादी ढांचे की तस्वीर बदलने और कनेक्टिविटी को बढ़ाने में अहम भूमिका निभाई है। इसके तहत अब तक सड़क और रेलवे सहित विभिन्न मंत्रालयों की 15.39 लाख करोड़ की 208 बड़ी इंफ्रास्ट्रक्चर परियोजनाओं को मंजूरी देने की सिफारिश की गई है।

वाणिज्य एवं उद्योग मंत्रालय ने शनिवार को जारी बयान में बताया कि इन परियोजनाओं की अनुशंसा 13 अक्टूबर, 2021 को शुरू की गई पीएम गतिशक्ति पहल के तहत गठित नेटवर्क प्लानिंग समूह (एनपीजी) द्वारा की गई है। इस समूह के अनुशंसित परियोजनाओं में अधिकतम संख्या सड़क 101, रेलवे 73, शहरी विकास 12 और तेल एवं गैस मंत्रालय से संबंधित चार परियोजनाएं हैं।

इंफ्रास्ट्रक्चर और कनेक्टिविटी को बढ़ाने में अहम



सभी परियोजनाओं का मूल्यांकन किया गया

उद्योग संवर्धन एवं आंतरिक व्यापार विभाग के सचिव अमरदीप सिंह ने कहा कि पीएम गति शक्ति पहल के तहत अब तक इन सभी परियोजनाओं का मूल्यांकन किया गया है। इस प्रणाली के कई लाभ हैं, जिसमें इन बुनियादी ढांचे परियोजनाओं की योजना बनाने में लगने वाले समय और लागत में अहम कटौती शामिल है।

आवाजाही निर्बाध और सुगम होगी

यह डिजिटल प्लेटफॉर्म रेलवे और रोडवेज सहित विभिन्न मंत्रालयों को एकीकृत योजना और बुनियादी ढांचे परियोजनाओं के समन्वित निष्पादन को सुनिश्चित करने के लिए डिज़ाइन किया गया है। इसका उद्देश्य परिचयन के विभिन्न स्तरों में लोगों, वस्तुओं और सेवाओं की आवाजाही के लिए निर्बाध और कुशल कनेक्टिविटी प्रदान करना है, जिससे अंतिम-मील कनेक्टिविटी बढ़े और यात्रा का समय कम हो। पीएम गति शक्ति राष्ट्रीय मास्टर प्लान (एनएमपी) में भारतमाला, सागरमाला, अंतर्देशीय जलमार्ग, शुष्क या मृमि बंदरगाह और उड़ान जैसी विभिन्न मंत्रालयों और राज्य सरकारों की बुनियादी ढांचे योजनाओं को शामिल किया गया है।

44 केंद्रीय मंत्रालय और 36 राज्य/केंद्र शासित प्रदेश शामिल

इसमें 44 केंद्रीय मंत्रालय और 36 राज्य/केंद्र शासित प्रदेश शामिल हैं और कुल 1,614 डेटा लेयर भी एकीकृत किए गए हैं। 75वें स्वतंत्रता दिवस के अवसर पर पीएम मोदी ने लाल किले की प्राचीर से राष्ट्र के नाम अपने संबोधन के दौरान 'पीएम गति शक्ति पहल की घोषणा की थी। मल्टी-मॉडल कनेक्टिविटी के लिए ये राष्ट्रीय मास्टर प्लान रविवार को अपनी तीसरी वर्षगांठ मनाते के लिए तैयार है।