

27. Need to Maximise valuations just selling off loss making PSU s not the answer

By Gopal Krishna Agarwal,

In pre-budget parleys with Centre, party offers suggestions on boosting valuation

Improved corporate governance, restraint in setting out targets and monetisation of assets are some of the suggestions from the BJB to the government to improve valuation of the PSUs as part of a better divestment policy.

The ruling party also believes that disinvestment of the LIC is not advisable.

Talking to Business Line, the BJP's economic affairs spokesperson Gopal Krishna Agarwal said concerns and solutions about continued low valuation of the PSUs have been conveyed to the government in the post pandemic resource crunch. the focus on middle class will not exactly result in direct tax concessions. It believes tax incentives to boost consumption is a better idea.

"How does one generate resources when fiscal deficit is already quite high and the borrowings have also gone up? The only alternative for resource generation is disinvestment. The issue is, even when the capital market is booming to almost record highs, the PSUs are still not getting proper valuation. We believe large scale tweaking is required. The Government has to look into the reasons," Agarwal said

Lessons learnt

Citing the instance of Hindustan Zinc Ltd (H21) where the valuation went up post-divestment, Agarwal said corporate governance needs to be factored into any future policy regarding divestment.

"One of the important suggestions from the capital market is corporate governance. Also, we believe that the idea of the Government clearly setting out targets is also counter-productive. People know that this is coming for sale and there is a supply overhang. Monetisation of assets is also critical," he said.

Policy for strategic sale

According to Agarwal, an overarching policy is required for strategic sale and maximising valuation. He said simply selling off loss making PSUs is not a good option. He also categorically said that the party is not in favour of selling LIC.

"Five or six years back, perhaps Air India was getting a good price and attracting buyers. Now with a liability of 160,000 crore, who will buy it? We should not always think of offloading a loss-making company. A strategy is required. We have to learn from examples such as HZL where valuation went up because of corporate governance. In case of LIC, we do not believe it should be disinvested. LIC is a holding company," he said. He said while focusing on giving incentives to middle class, the suggestion is not to give any reduction in taxes.

"We have not suggested any reduction in taxes because already taxation limits for corporates and individual have been brought down. Relaxation in saving limits is an option as is tax incentives to boost consumption".