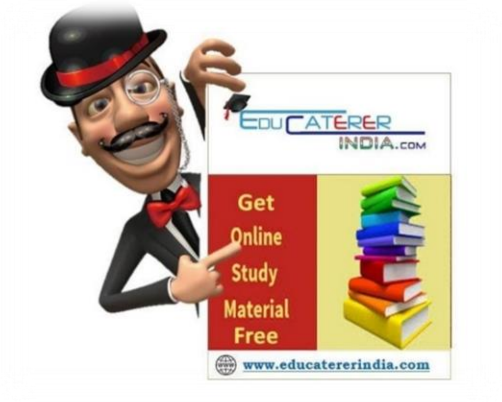
DIPAM to address Divestment in PSUs



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Introduction

Union Government of India renamed the Department of Divestment to **DIPAM (Department of Investment and Public Asset Management)** on April 20, 2016.
This was formally announced in the Union budget 2016 - 2017 by Finance Minister Mr. Arun Jaitley

Need for DIPAM

- Highly stressed PSUs
- Inefficient management structure in loss making PSUs
- Increase in loss making PSUs
- Rapidly rising non performing assets of Banks
- NITI Aayog has identified 74 loss making PSUs
- Among these 8 PSUs are identified to be closed this fiscal according to Union budget 2016 - 2017

Purpose of DIPAM

- Proper management of Government investments in equity
- Divestment in Central Public Sector Undertakings (CPSUs)
- To advise government on financial restructuring matters of CPSUs
- To attract investment through capital markets
- To address issues of capital restructuring, bonus shares, dividend etc in CPSUs

Background

- NDA government (1999 – 2004) was aggressive in divestment and privatizing loss making PSUs
- NDA earlier privatized more than a dozen companies
- UPA government buried this divestment regime in their rule
- Now, BJP is aiming to revive divestment again through DIPAM

Earlier Divested PSUs

- Some of the divested PSUs during the Atal Bihari Vajpayee led NDA government include
- Videsh Sanchar Nigam Limited (VSNL)
- Bharat Aluminium Company (BALCO)
- CMC Ltd
- HZL (Hindusthan Zinc Ltd)
- Hotels

DIPAM Functioning

- DIPAM will function under the finance ministry of India
- Head Quarters located in Delhi
- DIPAM will deal with the sale or divestment of equity in CPSUs
- DIPAM will manage government investments in equity
- DIPAM uses Open For Sale (OFS), private placement, stake sale, strategic sale etc to divest CPSUs
- All divestments to be handled by DIPAM or on the advice of DIPAM by the concerned ministry

DIPAM Progress

- "Invest India" was the official agency for promotion of investment in India
- Main aim is to provide facilities for investment in India
- This is to be merged with DIPAM
- DIPAM works closely with "Make In India" and predicted to be first and foremost place for investors
- The experts and DIPAM team will provide the potential investors with the various opportunities existing in various sectors
- It will guide the investors from incubation to establishment and after care services

- DIPAM expedites regulatory provisions and approvals
- DIPAM will carry out privatization of PSUs in due course by transforming the poor or loss making PSUs as infrastructure to new potential investors through “Make In India’

Current Implications

- NITI Aayog sell off 8 loss making PSUs for 56500 crore through Divestment
- Among this, 20500 crore to be divested through strategic sale
- Rest 30000 crore to be divested through stake sale
- DIPAM to garner more than 16000 crore by November end through share buy backs and offer for sale (OFS) route of Divestment
- PSUs involved in Share buy back include NALCO, NMDC, Coal India, MOIL and Bharat Electronics accounting to 13500 crore
- NHPC Stake sale amounting to 3350 crore
- NTPC and IOC carry out Divestment through employee subscriptions
- SBI merger with its associate banks and Bharatiya Mahila Bank on share swap ratio basis approval on August 18, 2016