BUSINESS STANDARD, Delhi, 27.6.2024
Page No. 1, Size:(20.36)cms X (16.46)cms.

Budget likely to retain ₹50K cr monetisation, asset sale goal

RUNUP TO THE BUDGET 2024–25

SHRIMI CHOUDHARY
New Delhi, 26 June

The Centre in the upcoming Budget may stick to its capital-receipts target of ₹50,000 crore in 2024-25 (FY25) on account of disinvestment, asset monetisation, and other capital receipts, continuing its new calibrated approach to asset-sale strategy, according to official sources.

Further, the focus will remain on the strategic sale of IDBI Bank. However, the transaction could spill over to FY26, given the process involved, sources said.

In the Interim Budget in February, the Centre had reworked its strategy on capital management. For the first time, it did not explicitly mention the disinvestment target for FY25. It had set a target of ₹50,000 crore under miscellaneous capital receipts.

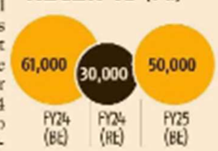
Unlike previous classifications of loans and advances, disinvestment, and asset monetisation, non-debt capital receipts comprise loans and advances. Budget documents show the Revised Estimate (RE) for such receipts during FY24 has been lowered to ₹30,000 crore from the target of ₹61,000 crore set in February 2023. That included ₹51,000 crore for disinvestment.

This was followed by delay in some major asset-sale plans such as those relating to IDBI Bank, Shipping Corporation of India, NMDC Steel, and BEML. Since 2010, barring FY18 and FY19, the Centre's divestment receipts have fallen short of the projection, with the targets growing more ambitious every year.

For this financial year, the Department of Investment and Public Asset Management (Dipam) expects to conclude some transactions including the one of IDBI Bank. On the bank, the Dipam is awaiting the go-ahead from the Reserve Bank of India. The central bank is examining the "fit and proper criteria" of the potential bidders.

Turn to Page 6

CAPITAL RECEIPTS (₹ cr)



BE: Budget Estimates
RE: Revised Estimates

- Miscellaneous capital receipts exceeds FY24 RE of ₹30,000 cr
- 16,507 crore was disinvestment proceeds in FY24, while it was ₹16,000 cr for asset monetisation
- Interim Budget for FY25 clubs realisation from disinvestment and asset monetisation

P4 TECH INC FOR FEWER TARIFFS, ₹1 TRN DEEPTECH FUND | UNIONS CALL FOR SOCIAL SECURITY FUND FOR UNORGANISED WORKERS

FinMin may maintain disinvestment target

The Centre and LIC would together sell a 60.72 per cent stake in the bank. "We have not kept a fixed target for divestment ... We need to have a new paradigm in terms of thinking and not just keep on parting with that wealth in one stroke. We can always do it in a gradual, calibrated way," Tuhin Kanta Pandey, secretary, DIPAM, had told reporters in a briefing after the Interim Budget. In the July Budget, the government might enhance the estimates of dividends from central public sector enterprises. In the Interim Budget, it had pegged dividends from non-financial CPSEs at ₹48,000 crore. So far this financial year, CPSEs have paid ₹4,917.58 crore as dividend.

BUSINESS LINE, Delhi, 27.6.2024
Page No. 7, Size:(17.32)cms X (18.86)cms.

Fiscal effects of energy transition

DOUBLE WHAMMY. Already poor eastern States, reliant on fossil fuels, will suffer. This needs to be addressed

GETTY IMAGES

AASHEERWAD DWIVEDI

Over the next few decades, most of the countries, including India will go through a significant energy transition to achieve their Net Zero targets. This would entail a steady reduction in the share of fossil fuels like coal, oil and natural gas, along with increasing share of greener sources of energy in the overall energy portfolio.

India has pledged to move to Net Zero by 2070, though the energy transition is happening at an even faster pace. The installed solar energy capacity stands at 82.63 GW as of April 2024, increasing by 30 times in the last nine years.

Though this energy transition is important and inevitable, it is bound to lead to disruptions. One impact that is often not appreciated fully is the 'Fiscal Impact' given India's high dependence on fossil fuel revenue. Both the Centre and State governments impose a multitude of taxes, cesses, duties and even non-tax levies such as dividends and royalties on fossil fuels. And the amount collected is not insignificant.

Bhandari and Dwivedi (2021) (https://shorturl.at/VSjoT) estimated that revenue collected from these sources amounted to approximately 3.2 per cent of GDP in 2019-20, out of which 2 per cent was for the Centre and 1.2 per cent was for States. To understand its importance, this amounted to 20.8 per cent of revenue for the Union Government and 8.3 per cent for the State governments.

Going forward, with the transition from fossil fuels, the revenue from these sources will decline correspondingly. The same paper estimated that if the transition progresses at the current pace, total revenue would decline to 1.8 per cent by 2030 and 1 per cent of GDP by 2040. So the Centre and States will soon have to figure out how to raise revenue from alternative sources.

The challenge doesn't end here. Another issue is that not all States will be affected uniformly. Bhandari and Dwivedi (2022) (https://shorturl.at/8wVN3) found that currently States such as Jharkhand, Chhattisgarh, and Madhya Pradesh obtain 22-23 per cent of their Own revenues from coal, oil, and natural gas combined.

In contrast, Gujarat, Haryana, Karnataka get 14-15 per cent and Delhi gets 8 per cent. So, naturally the fiscal impact of moving away from the fossil fuels will vary widely across States, with some States taking much bigger hit.

STATE VARIATIONS

Now this would have been less problematic had the renewable capacity of States been similar. However, that is not the case as the renewable energy potential is largely dependent on geographical conditions.

States like Gujarat, Maharashtra, Rajasthan etc. located in the western region have highest renewable capacity in the country. On the other hand, the eastern States like Odisha, Chhattisgarh, and Jharkhand, which are also the ones more dependent on revenues from fossils, have much lower renewable capacity. Hence, it is clear that the ongoing transition would create winners and losers among States.

> **A GST-like compensation formula for the eastern States can be considered by the Centre and it** can seek the help of the Sixteenth Finance Commission for this.

Additionally, States which will lose out more on the revenue front are mostly located in eastern part of the country with relatively poor socio-economic conditions.

On the other hand, States in the western part are more comfortably placed, with relatively better socio-economic status.

There is also no possibility of levying tax on renewable energy to compensate for revenue loss in the near future. States on the contrary provide subsidies for installation of solar panels, windmills etc. to promote the transition. Hence, States with lower capacity at the moment may have to bear a bigger fiscal burden on that front too.

This shortfall in own revenue would mean that their reliance on fund transfers from the Centre would increase, creating additional impact in central government finances. This can lead to some key issues.

In fact, the States which will be negatively affected may not cooperate fully in the green transition. More importantly, if the policy makers do not device a mechanism to compensate the 'disadvantaged' States in time, it might have serious political economy consequences.

But for the Centre this will not be an unfamiliar situation as it faced such issues during GST implementation, where the GST compensation played a key role in States' acceptance.

Union government will need to do something similar in this case as well to ensure that not only the States are on board but also minimise socio-economic disruptions.

The Sixteenth Finance Commission can come up with a strategy. Finance Commissions use different criteria for the interstate distribution of tax sharing across States in order to maintain horizontal equity reflecting its need in terms of population, area, infrastructure distance etc.

The variance in impact on energy transition between States can be considered as a factor while deciding the devolution formula to ensure horizontal equity.

The writer is Assistant Professor of Economics at Faculty of Management Studies, Delhi University

GAIL

ASIAN AGE, Delhi, 27.6.2024
Page No. 7, Size:(2.34)cms X (6.59)cms.

IESA: ENERGY BIZ TO SEE ₹2,000-CR INVESTMENTS

New Delhi, June 26: Investment commitments of more than ₹2,000 crore are expected to be announced in energy storage, electric vehicle and green hydrogen sectors at the India Energy Storage Week 2024 in July, the India Energy Storage Alliance (IESA) said on Wednesday.

The IESA is set to host its annual flagship international event, India Energy Storage Week (IESW) international conference and exhibition from July 1 to 5, in New Delhi, a statement said.

The IESW 2024 will become the launch platform for multiple factory and gigafactory announcements paving the way to India's global manufacturing hub mission. — *PTI*

BUSINESS LINE, Delhi, 27.6.2024
Page No. 3, Size:(12.71)cms X (9.31)cms.

India Energy Storage Week 2024 to see unveiling of investments worth ₹2,000 cr

Rishi Ranjan Kala
New Delhi

India Energy Storage Week (IESW) 2024, a leading energy storage and advanced battery event, will witness the unveiling of investments worth ₹2,000 crore for various initiatives including a lithium-ion cell manufacturing facility and recycling and materials extraction unit.

IESW 2024, which is being organised by India Energy Storage Alliance (IESA), is scheduled to be held in the national capital from July 1 to 5 and will witness participation from more than 150 key partners and exhibitors as well as over 1,000 companies.

The event will also witness participation from Ministries such as the Ministry of New & Renewable Energy, Ministry of Heavy Industries, Ministry of Power, Ministry of Road Transport & Highways, Ministry of Mines and Ministry of Electronics & IT.

Australia, Norway, and Finland are the country partners of IESW 2024 and the government of Western Australia is the global state partner.

New product launches at IESW 2024 include a 20 ft BESS System, specialised solvent extractant chemical for the recovery of cobalt from spent lithium-ion batteries and mining ores, isothermal air compression & expansion technology for extra long- duration energy storage, and composite overwrapped pressure vessel for green hydrogen storage by various companies.

IESW 2024 is also expected to witness the signing of five MoUs including between IESA and Powering Australia.

INVESTMENTS

The IESW 2024 will hold five new factory announcements by various companies. For instance, Singapore-headquartered VFlowTech will launch the largest long-duration energy storage (LDES) manufacturing facility (non-lithium battery) at Palwal in Haryana It has a current annual capacity of 100 megawatt hour (MWh) with plans to scale up to a gigafactory in the next 2 years with committed investments from the parent.

Nash Energy will showcase its indigenously produced Li-Ion battery cell the IESW 2024, which is manufactured in India. Nash has set up a Lithium-Ion cell manufacturing plant in Karnataka with an annual capacity of 600 MWh scalable to 1.5 GWh to produce LFP cylindrical 32140 format cells. The factory will start production by next month.

BatX Energies will unveil its battery recycling and materials extraction facility, HUB-1, which is designed to extract 2.5 thousand tonnes of battery materials annually, encompassing all battery chemistries.

Lohum, India's leading Lithium-Ion battery recycling firm, is also announcing to enter next-gen manganese-rich lithium-ion battery technology manufacturing, supported by an R&D grant from the Ministry of Mines.

Bharat Cell by Khusmanda Power will announce a 2 GWh manufacturing facility at the IESW 2024.

FINANCIAL EXPRESS, Delhi, 27.6.2024
Page No. 1, Size:(18.57)cms X (17.04)cms.

No chasing big stake sale targets

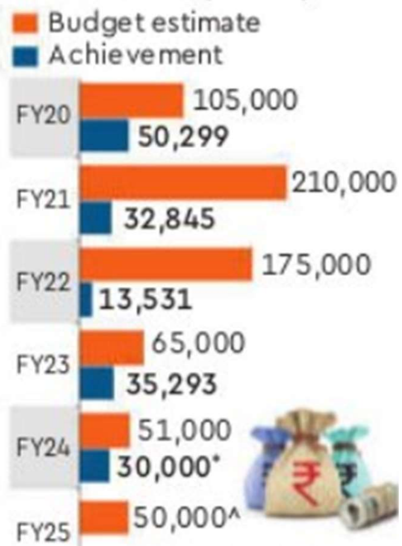
PRASANTA SAHU
New Delhi, June 26

THE NEW NATIONAL Democratic Alliance (NDA) government will have a realistic disinvestment strategy, devoid of chasing any specific target for privatisation of large firms, official sources told *FE*. It will, however, seek to keep the pace of minority stake sales in central public sector enterprises (CPSEs), as and when market throws up opportunities.

In 2021, the Centre unveiled the CPSE policy under which the government will have a minimum presence in the four strategic sectors, while the remaining ones could be privatised, merged or closed. The strategic sectors are atomic energy, space and defence; transport and telecommunications; power, petroleum, coal and other minerals; and banking, insurance and financial services. In the non-strategic sector, all CPSEs will be privatised or closed in case privatisation is impossible.

KEEPING IT REAL

Disinvestment (₹ crore)



*Revised estimate as "miscellaneous capital receipts (MCR)" including monetisation; ^MCR

Continued on Page 7

No chasing big stake sale targets

HOWEVER, THE (LOW) incidences of CPSE stake sales since then haven't been exactly in consonance with the policy announcement.

Market realities have been one reason for the reduced pace of disinvestment, as much as political considerations.

In the interim Budget for FY25 in February, the Bharatiya Janata Party spelt out a holistic approach towards CPSE capital management that included value creation, asset monetisation, dividends, capital expenditure, besides disinvestment.

Accordingly, the government set a ₹50,000-crore target for FY25 as "miscellaneous capital receipts" by clubbing disinvestment and asset monetisation. For the first time in many years, there wasn't any specific target for disinvestment.

Against the initial Budget estimate of ₹51,000 crore in FY24, the disinvestment receipts were ₹16,507 crore or 0.37% of the Centre's budget size, as some strategic disinvestments, including that of IDBI Bank, did not materialise. Strategic disinvestment of IDBI Bank, jointly owned by the government and promoter Life Insurance Corporation, was originally planned to be concluded in FY24. The transaction may happen in FY25 after the Reserve Bank of India gives 'fit-and-proper' clearance to the shortlisted bidders. RBI is still examining the proposals received.

The market capitalisation of 60-odd listed CPSEs increased 2.5 times from ₹16.69 trillion on March 31, 2023, to ₹42.4 trillion now

While pursuing the existing pipeline of strategic sales, including that of IDBI Bank, NMDC Steel and Shipping Corporation of India, the government will continue with offers for sales (OFS) of minority stakes, which could be carried out quickly, sources said.

In OFS also, the government has adopted the strategy of maximising revenues for the exchequer by opting for smaller stakes sales (compared to earlier transactions) to gain from the upsides in market valuation of CPSE stocks, some of which doubled in a little more than a year. In other words, the government is mobilising more revenues even with smaller OFS issues in CPSEs than it used to raise through relatively bigger ones, keeping the window open to come with more such offers when valuation rises even further.

The market capitalisation of 60-odd listed CPSEs increased 2.5 times from ₹16.69 trillion on March 31, 2023, to ₹42.4 trillion now. It has benefited the government and minority shareholders equally.