THE HINDU BusinessLine

Centre may look at PSU stake sale option to set fiscal math right

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Uncertainty over crude oil prices and GST collections skews deficit numbers

New Delhi, November 13:

Faced with rising global crude oil prices and uncertainty in its tax revenue, the government is looking at stake sale proceeds and other options to keep the fiscal deficit in check.

“Disinvestment in public sector units (PSUs) is on track this fiscal. One of the ways in which the fisc can be managed is by higher revenue from disinvestment in PSUs, but it has to be seen how far that can be managed,” said a person familiar with the development.

The Centre plans to raise ₹72,500 crore from stake sales in PSUs this fiscal, including ₹15,000 crore from strategic disinvestment and ₹11,000 crore from listing of public sector insurers.

Till date, it has raised ₹30,185.67 crore and expects about ₹10,000 crore from the Bharat-22 ETF, which opens on Thursday.

It is also working on a number of stake sales including IRCON, IRCTC, Bharat Dynamics Ltd, Mazagon Dock Shipbuilders Ltd and Mishra Dhatu Nigam Ltd, apart from strategic disinvestment in Air India, Engineering Projects (India) Ltd and Central Electronics Ltd.

Sources said that with four more months remaining in the fiscal, the Centre can expect more revenue from disinvestment if favourable market conditions persist.

“The target was being seen as very ambitious, but nothing stops us from not only meeting it but also exceeding it,” said the source, adding that there will be more clarity after the ongoing discussions on Revised Estimates in the Finance Ministry conclude.

The Centre has a fiscal deficit target of 3.2 per cent of GDP for 2017-18. Its deficit rose to 91.3 per cent of the Budget target between April and September 2017.

With global crude oil prices rising again, there is pressure building to further lower the excise duty on fuel to cushion the impact for retail consumers. The last round of excise duty cut of ₹2 a litre for petrol and diesel is expected to cost the Exchequer ₹13,000 crore.

The recent reduction in the rates of Goods and Services Tax (GST) for nearly 200 goods is also expected to lead to more pressure on the tax collection front.

“Currently, there is no revealed intention of crossing this mark (fiscal deficit) and hence the flow of revenue will be critical,” CARE Ratings had noted in a report earlier this month.

“The outcome of GST in terms of tax revenue and the ability of the government to push forth the disinvestment programme will be important ingredients of the final picture,” it added.

Expenditure control

Sources said the Centre is not looking to cut back sanctioned expenditure at present, but does not want to add to its spending bill of ₹21,46,735 crore for the fiscal.

“The focus is on maximising the quality of expenditure to boost growth. Ministries are expected to spend the allocated funds judiciously and not look for higher spending, unless urgently required,” said another official.

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