

Govt eyes mergers to create PSU behemoths across various sectors

Start could be made with state-run metal and mining firms

SURABHI

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It's not just the oil sector where the government wants to create a merged public sector behemoth. Keen on creating economies of scale and weeding out unproductive state-run firms, the Centre is understood to be looking at the merger of more PSUs across various industries.

Sources said that next in line could be PSUs in sectors such as metal and mining and power, where the Centre could look at mergers and consolidations.

Oil example

"The logic is the same as that for the oil sector, where it is felt that a single mega PSU may be more effective," said an official, adding that economies of scale would also ensure better functioning of such entities.

For instance, there are as



many as 12 PSUs engaged in mining apart from Coal India Ltd and its subsidiaries that are also involved in coal mining.

Similarly, there are 14 PSUs engaged in the power generation and transmission sector, according to the Public Enterprises Survey 2015-16.

The Finance Ministry's Department of Investment and Public Asset Management (DIPAM),

along with the Department of Public Enterprises (under the Ministry of Heavy Industries and Public Enterprises) and other nodal ministries, is understood to be looking into the proposal.

A decision on the next merger may be announced later in the year, but officials cautioned that it would be a slow process and require some time.

It pays to be big

- Mergers ensure economies of scale, better functioning
- Integrated firm can take on private, global giants

As part of Union Budget 2017-18, Finance Minister Arun Jaitley had announced plans to "create an integrated public sector oil major, which will be able to match the performance of international and domestic private sector oil and gas companies".

Asset valuation

Since then, DIPAM is also working on a mega consultancy firm with plans to merge PSUs such as Projects & Development India Ltd with Engineers India Ltd.

It had also invited applications for asset valuers to suggest the merger of Hospitality Services Consultancy Corporation, Engineering Projects India Ltd and National Projects Construction Corporation with other similarly placed PSUs.