



FINANCIAL RESULTS -GAIL

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Asset monetisation

Govt should reassess the plan

The Union government's asset monetisation plan seems to be facing resistance from government departments and public sector enterprises (PSEs). According to a news report, PSEs in the oil and gas sector, such as Hindustan Petroleum Corporation, Indian Oil Corporation, and GAIL, may not go ahead with the pipeline monetisation plan. Another report suggested the Ministry of Railways and Department of Telecommunications are also lowering their target for asset monetisation, and will depend more on internal resources and budgetary support for investment. The government's target of mobilising ₹1.62 trillion in the current fiscal year would thus become difficult to achieve. The petroleum sector PSEs consider pipelines core assets and are reportedly not keen to monetise them. These firms are also said to have argued that they are in a better position to mobilise funds from the markets at a lower cost for investment. The government was expecting these firms to transfer part of their pipeline assets to infrastructure investment trusts and raise resources.

The reported reluctance among the PSEs and government departments to monetise assets could affect the overall investment in the economy. At the macro level, the latest numbers showed that in real terms the Indian economy only marginally exceeded 2019-20 output in 2021-22. Since private sector consumption and investment demand are still weak, higher government expenditure can help revive demand. Although the government has been supporting the economy with higher investment, its finances are stretched and it is not in a position to significantly increase the scope of expenditure. In this context, asset recycling and monetisation could be useful in pushing up overall investment in the economy. Although India needs higher investment in general, its importance in the post-pandemic period has only increased.

The asset monetisation pipeline of central government departments and PSEs is estimated to have a monetisation potential of ₹6 trillion by 2024-25. The idea is to transfer public sector assets to the private sector for a limited period to unlock value and reinvest the proceeds in other or new assets. Expected efficient use of assets in private hands will also increase overall benefits. The idea undoubtedly has merits but how it is executed remains to be seen. Since some PSEs and government departments are unwilling to participate at the level envisaged, it begs the question if they were properly consulted before drawing up the plan. Since some participants seem unwilling, the government would do well to reassess the plan. It is likely that some PSEs are unwilling to give up control of core assets for good reasons and should not be forced to do so.

To be sure, a one-size-fits-all solution may not work. The idea of transferring assets for a defined duration can work well in a sector like roads, for instance. In the petroleum sector, the inability to pass on higher prices will dent the profitability and investment capability of PSEs, which may not be covered by asset monetisation. Further, the government should push full privatisation of PSEs. Asset monetisation in state-owned telecom companies, for instance, is unlikely to take them very far. Besides, government departments that hold large assets, such as the railways, will need to be dealt with differently. Different kinds of assets will need different methods for monetisation. The government should thus do a realistic reassessment of this all-important plan.