

V. SRIDHAR

The Evolution of Privatisation in India

The Ever-Expanding Agenda

Privatisation is often seen as a lynchpin of the neoliberal agenda – an essentially fundamentalist outlook that demands that primacy be given to the free play markets. The issue of privatisation has been presented as the outright sale of either public sector undertakings (PSU) or of public assets in favour of private interests. The eventual sale, in such a framing, has for long been seen as signalling the act of privatisation.

However, in actual practice, the privatisation process in India, driven by the process of economic liberalisation since 1991, has proved to be much more far-reaching in scope, far more nuanced in its strategic approach and far more accommodative of push backs, while incessantly deepening and widening the agenda of privatisation. In short, notwithstanding the political orientation of those wielding authority in Delhi, the privatisation process has had sustained momentum and continuity over the three decades, even if the process has stalled at times.

There is no doubt that the dominance of the Bharatiya Janata Party-led National Development Alliance (NDA) at the Centre marks a qualitative shift in the political agenda on privatisation. Crucially, unlike the Congress or other political formations, it does not carry the legacy of the burden of an avowed commitment to an egalitarian conception of social justice that was born out of the national freedom struggle.

Most importantly, the agenda has widened comprehensively, now bringing within its ambit almost every aspect of Indian society. Meanwhile, the absence of a national framework for economic planning and a coherent industrial policy – both anathema to neoliberalism – that are characteristic features of regimes that enable a lead role for the public sector, is indicative of the extent to which space has been ceded to the private sector. While private industrial and financial conglomerates now enjoy significant clout in areas that were once the preserve of publicly-owned entities, the reach of the private sector has been significantly enhanced in realms such as critical infrastructure like electricity generation and distribution, civil aviation and ports and to vital social services like education and health, and has now extended to even areas such as municipal services.

SECTION 1: INTRODUCTION

The economic crisis of 1991, primarily a balance of payments crisis, which otherwise could have been managed with a degree of controls, was instead used to reconfigure the Indian economy. In the garb of ‘reforms’ the Indian state initiated a purposeful and sustained redefinition of the state’s relationship with production, ownership, and public

welfare. This was undertaken under the guise of a compulsion to enforce a fiscal correction during a period of economic distress.

In over three decades, however, the conceptual framework of the privatisation agenda has evolved; so have its policy mechanisms. In doing so the agenda has evolved even as the socio-economic footprint of privatisation has expanded. In doing so, the state's response has been conditioned by political mandates, global economic conditions, structural domestic conditions as well as its determination to maintain strategic control over key sectors. The trajectory of the privatisation in India suggests that the state has calibrated the programme in a non-linear manner, one in which outright privatisation is just one possible objective in the immediate term.

The systematic reshaping of the character and mandates of Indian PSUs and public sector banks and financial institutions is an important dimension of this recalibrated approach. Meanwhile, the regulatory environment has been skewed – in the name of providing a 'level playing field' to private entities – against publicly-owned entities.

A variety of approaches have been adopted, depending on the sector or the field of activity, to create the space for the private sector to occupy. In the case of BSNL, for example, this was achieved by systematically weakening it through downright neglect or by adopting policies that blatantly favoured private conglomerates that eventually grew into monopolies in the telecommunications sector. In the case of PSUs like Steel Authority of India Ltd or the National Aluminium Company Ltd this was achieved by reining in these entities by preventing them from developing further as rivals to their private competitors. The Indian public sector banks and financial institutions were restructured either to behave like clones of their private rivals or simply reshaped away from their earlier role as development finance institutions. The methods adopted in the case of the Life Insurance Corporation, the unrivalled pioneer in the field of insurance, are in a class of their own; here was a case of the government selling a stake in an entity it could not even claim to legitimately own.

The two stages of the National Monetisation Pipeline are another egregious case of ceding control of assets to private entities after they have been built by publicly-owned institutions. In the case of the Indian Railways, the country's single biggest enterprise, a variety of methods has been adopted to enable private entities to encroach its space. In many other areas that were generally regarded to be in the nature of public goods, the process of privatisation has been achieved through the outright abandonment of public services like public health, education and a range of other social services, leaving these spaces free for exploitation by private entities.

The frequent framing of privatisation as a linear 'retreat of the state' thus misses the active and purposeful approach of the state in ensuring the continuous expansion of the space available to the private sector, while undermining the role of public entities. If anything, the state is even more active, only more brazenly so, in furthering private interests. This is no retreat.

In what follows this section we provide in Section 1 a broad outline of what appear to be different stages of the privatisation process in India. These stages have overlapping features that reflect continuity in the state's strategic approach to privatisation but each stage also favoured certain specific policy instruments, the nature of the framing of the agenda that reflected a compulsion to accede political realities, the fiscal constraints,

and the need to retain strategic autonomy in key areas such as telecommunications or petroleum.

In Section 2 we provide a broad illustration of the privatisation tool book adopted by the state. This highlights the manner in which neoliberalism has adopted a wide array of methods by which the state has ceded space to the private sector without necessarily selling PSUs or their assets. The pursuit of specific aspects of neoliberal macroeconomic policies – trade and fiscal policies, for example – that had a significant influence in expanding the private sphere while undermining critically important PSUs, is also explored here. These illustrations highlight the means by which the state has adapted to political, economic and social constraints without abandoning its overarching agenda of continuously expanding the private realm.

SECTION 2: THE PHASES OF PRIVATISATION

The Indian story of privatisation can be roughly divided into four phases, not necessarily in separately sealed episodes but as distinctly driven by the compulsions the state faced. These compulsions, while driven by the need to accommodate political pressures, also had to accommodate the limited capacities of the private sector and its willingness to invest. Moreover, the state's motives were also shaped by strategic long term interests in sectors such as telecommunications and the oil and gas sectors.

Phase 1: Privatisation as 'Disinvestment' (1991–1998)

This was the period when the Congress Government headed by P.V. Narasimha Rao used the pretext of a macroeconomic crisis to engineer a fiscal corrective that ruled out budgetary support to the public sector while opening up the economy to competition, Indian as well as foreign. The term 'disinvestment' first entered the Indian lexicon to deliberately signal continuity rather than a sudden rupture with the Congress' own Nehruvian legacy. In doing so, it attempted to preserve its political legitimacy while initiating the process of privatisation on the plea of tackling the problem of limited fiscal space.

The focus was on selling minority stakes – usually 5–10 per cent – in Indian PSUs, mainly to domestic financial institutions and, to a much more limited extent, to the public. The objective of this limited exercise was to maintain the charade of bridging the fiscal deficit, while exposing the PSUs to 'market discipline' but without the state losing control. In actual practice, the transfer of 'bundles' of shares of the PSUs among mainly publicly-owned institutions were largely in the nature of book transfers, offering no meaningful ownership rights to the purchasing entities. However, this was done with the full knowledge that these offloaded shares would prove valuable to holders when a broader round of privatisation was initiated.

The hesitant steps undertaken in these years reflected the instability of the political establishment marked by a succession of coalition governments. In 1996, the United Front government headed by Prime Minister H.D. Deve Gowda created the Disinvestment Commission. Significantly, the Commission was under the Ministry of Industry, not the Finance Ministry as is the case now, renamed the Department of Investment and Public Asset Management (DIPAM). The Commission, headed by G.V. Ramkrishna, published a series of reports which categorised PSUs into Core and Non-

Core groups, apart from a group termed Strategic, which included the railways, atomic energy and defence, in which the Commission recommended that the government retain control. PSUs with a high degree of capital intensity were categorised as 'Core' in which the Commission determined that the government ought not relinquish majority control. The 'Non-Core' group consisted of PSUs engaged in the manufacture of consumer goods or those running hotels or engaged in the tourism sector. The Commission determined that companies in the latter group could be sold off to private investors.

Between 1991 and 1998, disinvestment receipts averaged about Rs 1,500–Rs 2,500 crore annually, cumulatively falling short of the budgetary targets. The policy design was cautious: equity offloads rarely exceeded 26 per cent and management control remained firmly with the state. Crucially, sectoral caps restricted foreign entities' stakes in PSUs.

However, during this phase successive governments recalibrated their approach by adopting the Navaratna scheme for select PSUs by selectively granting these companies a degree of operational and financial autonomy. Crucially, these companies were encouraged to enter into joint ventures with private and foreign companies. This defensive posture of the state meant that it was willing to let these units develop, but without any budgetary support whatsoever, in the hope that they may become fit targets for privatisation at a more opportune time. Meanwhile, this strategy hoped that these PSUs' exposure to the market and to private capital would reorient them significantly to the demands of the market.

Phase 2: Aggressive Approach of Strategic Sale of PSUs (1998–2004)

The second NDA Government (the first being a 13-day affair in 1996) headed by Atal Behari Vajpayee which assumed office in 1998 was the first to create a Ministry of Disinvestment, whose sole purpose was to sell 'strategic' stakes of PSUs to private entities. Recall that it was the Vajpayee government that heralded 'big bang' privatisation in India by launching the 'strategic sale' of Bharat Aluminium Company Ltd. (BALCO) in March 2001. A controlling stake in BALCO, a pioneer in Indian aluminium production, was sold to Sterlite Industries (later the Vedanta Group) at the grossly undervalued price of Rs 551.50 crores. The day BALCO was sold it had scrap, inventory and raw material worth Rs 220 crores. In addition, BALCO owned a 270-megawatt captive power plant, which had material worth about Rs 100 crores on its premises that day.

The Vajpayee government then proceeded to sell similar controlling stakes in several major Indian PSUs, among them VSNL (to the Tatas), Indian Petrochemicals Ltd. (to Reliance Industries), Hindustan Zinc Ltd. (also to the Sterlite Industries – Vedanta Group), Modern Bakeries (to Hindustan Lever, now Unilever India) and a clutch of Indian publicly-owned hotels to private entities. All these instances were just as controversial as the BALCO case.

The aggressive privatisation of public assets at throwaway prices met with resistance from a cross section of society, including from within the Vajpayee government, which stalled several other efforts such as those that attempted the sale of entities like NALCO and Bharat Petroleum Corporation Ltd (BPCL). The resistance forced the NDA government to retreat well before the 2004 elections.

Phase 3: Reorienting PSUs and Diluting Stake Through IPOs (2004–2014)

Following the change in government in 2004, India's disinvestment policy underwent a significant recalibration. The United Progressive Alliance (UPA) government's National Common Minimum Programme explicitly stated that no profit-making enterprises would be privatised, that Navaratna companies would be retained, and that loss-making PSUs would be strengthened or sold only with adequate worker compensation.

This marked a departure from the 'strategic sale' model of the previous era, which involved transfer of management control. Instead, the policy now encouraged PSUs to 'tap capital markets' through minority stake sales via Initial Public Offers and Follow-on Public Offers (FPO), while retaining the 'public character' of these enterprises.

This approach aligned with neoliberal principles in a more gradualist manner – introducing market discipline without full blown privatisation. The listing of these PSUs on stock exchanges, subjected them to shareholder scrutiny, quarterly reporting requirements, and market valuation pressures – the core neoliberal mechanisms for improving 'efficiency'. Crucially, the performance of these PSUs was subjected to comparisons with their private peers, whose operations were evaluated by the market primarily in terms of their profitability.

Although the government's divestment of Maruti Udyog in 2007 was the most prominent outright sale during this period a series of IPOs followed – the most notable ones being oil and gas companies such as GAIL and Oil India, Coal India Ltd, NTPC, Power Finance Corporation, SAIL and Hindustan Copper Ltd. Not surprisingly, several of them came under a cloud because serious allegations were made about how the offer price was deliberately kept low.

This foot-in-the-door strategy of a creeping approach to privatisation via IPOs and FPOs was adopted strategically in response to the resistance to sale of public assets. But the agenda nevertheless moved ahead towards greater exposure to private capital markets that now subjected them to market discipline, while generating fiscal resources for the government. Crucially, it now normalised and legitimised the logic of 'shareholder value' within public enterprises, instead of the objectives that led to their establishment in the first place.

Phase 4: Aggressive, Multiprong Attack on the Public Sector (Since 2014)

With its unabashed embrace of big business the NDA Government headed by Narendra Modi has significantly extended the nature and scope of privatisation. While it has continued to dilute government stake in PSUs like NTPC, Coal India Ltd. and Indian Oil Corporation Ltd. and attempted (unsuccessful so far) the outright sale of controlling interest in entities like the IDBI and the Shipping Corporation of India, it has sold Air India and Neelachal Ispat Nigam Ltd., both to the Tatas.

Institutionally, the government strengthened DIPAM, compressed the timelines for the sale of PSUs, and incorporated strategic sale targets into the Fiscal Responsibility and Budget Management (FRBM) roadmap. By doing this the government has attempted to insulate the process of privatisation from political contestation and pressure. It is significant that the latest Economic Survey has proposed that the minimum government shareholding limit for PSUs be reduced to 26 per cent from 51 per cent. This effectively relinquishes government control over these PSUs.

The breathtaking expansion of the Adani Group in the infrastructure sector best illustrates the extent to which space has been ceded to the private sector. The Adani Group currently operates more than 15 ports in the country, along both the east as well as the west coast, handling about 28 per cent of Indian cargo traffic and about 45 per cent of all container traffic. It also operates three ports overseas – at Haifa in Israel, a terminal at Colombo port and another in Tanzania. It also operates a handful of airports which handles about one-fourth of all Indian air passenger traffic and about one-third of all air cargo in the country.

The Asset Monetisation Pipeline

Since 2022 the government has embarked on an extended programme of ‘monetising’ a range of public assets. This is a significant extension of privatisation in the sense that instead of going through the cumbersome process of selling off PSUs in their entirety, asset monetisation enables private companies to capture those readily-available on long term leases at a fraction of their actual worth. Moreover, these private players can pick and choose the specific assets they are interested in, instead of acquiring the entire company.

The first stage of the National Monetising Programme (NMP) aimed to award public assets valued at Rs 6 lakh crores on long term lease. The duration of the leases range from about 15 years for road projects (typically commissioned by the National Highways Authority of India) to 30 years and even 60 years in the case of railway assets. Like most aspects of privatisation, the NMP suffers from an acute lack of transparency.

The government claims that NMP 1, running between 2022 and 2025, was a huge success, having ‘monetised’ assets worth Rs 5.3 lakh crores. However, the opaque structure of the NMP is such that it is not possible to gauge how much the government is earning annually as lease rentals after their auction in NMP 1. There are several reasons why the success is a gross exaggeration.

The Rs. 6-lakh crore estimate was likely to have been an optimistic estimate of the worth of the assets the government leased. The offers by bidders are based on their estimate of net present value of the assets on offer, which are supposed to reflect the expected discounted value of the asset over the lifetime of the lease. This means that they would only be paying the government only a fraction of what they consider as the value of the asset today. In fact, the provisions for leased port assets offer the Adani Group the option of delaying the start of their lease payments a decade after acquiring control of the assets.

Moreover, added to this is the profit margin accruing to the investor. It is unlikely that potential investors would offer more than one-fourth of the value of the asset; critically, this would be payable over the lifetime of the lease, not a lumpsum payment. Even if the Niti Aayog’s valuation has been accurate – and there is no evidence on offer to have this confidence – the government would earn Rs 1.5 lakh crores over the next several decades.

Emboldened by the ‘success’ of NMP 1, the government has recently embarked on an even more ambitious monetisation drive, this time targeting the sale of assets it has valued at Rs 16.27 lakh crores. Roughly 40 per cent of the monetised assets are to be in road and railway assets. Half of the value of the assets to be leased are in the mining, power and port sectors.

The state now privileges concession models – Infrastructure Investment Trusts (InvITs), Real Estate Investment Trusts (REITs), and public-private partnership (PPP) vehicles – that lease operational assets to private players while retaining nominal ownership. While it protects the state from popular criticism that it has sold off its assets, it also crucially protects private capital from scrutiny because it now operates under a ‘business model’ that only need provide privileged access to its operations. The preference for a market-based execution style thus enables evasion of public, Parliamentary and statutory scrutiny that would have been the case if the asset was still held by a publicly-owned entity. This explains why so few details are available about the assets that have been leased under NMP 1.

Many of the leased assets are what can be termed natural monopolies – a railway station, a gas pipeline, or power transmission line has unique geographical characteristics that are non-replicable, in effect a monopoly. The leasing of such an asset would allow the private lease holder to exploit this monopoly position without any restraint. In fact, such monopolists are incentivised to flog the assets during the lease period because they enjoy no ownership rights; this is no idle threat, this is exactly what happened to British Rail after it was privatised. In fact, people at large can genuinely expect these assets to be severely degraded and worthless at the end of the lease period. Of course, all these have adverse consequences for public services.

Contrary to evidence, the Niti Aayog continues to place faith in the efficacy of PPPs as vehicles for implementing these projects. As the collapse of the IL&FS, termed the ‘mother of Indian PPPs’ a few years ago, highlighted, they are utterly opaque vehicles of investment, with the state (or state-backed financial institutions) inevitably bearing the burden. These PPPs are structured such that the state incurs most of the financial investment burden (and the losses), while the private partner has free and unhindered access to profits (the Delhi and Bengaluru airport projects are just two of the striking examples).

From the perspective of the public enterprises, the ‘monetisation’ of their assets shuts off revenue flows that would have accrued to them from these assets. These investments, undertaken over several years, were part of their strategic business plans. Obviously, the revenues from the deployment of these assets would have been part of their future plans. The sudden decision to ‘monetise’ assets of the Indian Railways’ freight corridors, freight terminals or the pipeline assets of the public sector oil and gas companies thus seriously compromises the long term viability of these entities.

SECTION 3: TYPOLOGIES OF PRIVATISATION

The Indian public sector companies were built soon after independence with remarkable foresight, developing indigenous capability in a wide range of fields. What neoliberalism has demonstrated is that just as it takes many ways to build, there are many ways to destroy. The following is a brief typology to illustrate the array of methods adopted to diminish, spoil and destroy Indian publicly-owned companies. By no means exhaustive, in terms of their fields of activity, in terms of the instruments used, and in terms of whether they continue to remain publicly-owned or private, it nevertheless provides some idea about why privatisation has to be seen as a process, not an event.

In what follows we deal with cases pertaining to the following public institutions:

Life Insurance Corporation of India
Air India
The aluminium industry

The LIC Case

The LIC IPO, launched in May 2022 while being the biggest-ever IPO at the time, was also the biggest scandal in the annals of privatisation in India. Unlike all other cases of privatisation in India where the eventual selling price was hotly contested, the LIC case has been unique because of the subterfuge through which the government gained control of India's biggest financial institution, one that it could not even legitimately claim to own. Although the LIC valuation, like all instances of privatisation in India, was also dubious, in the case of the LIC the Modi Government has charted new territory.

To comprehend the scale of the scandal it is necessary to appreciate the evolution of the LIC as a unique publicly-owned institution, *sui generis* in the global world of finance. The LIC was not even set up as a company, in 1956. Instead, LIC was structured in the nature of a giant cooperative or a mutual company in which policyholders were much more than mere customers. In all, between 1956 and 2011, the government invested just Rs 5 crores in LIC. This meant that the motive force for the expansion of the LIC as well as the propagation of the culture of life insurance was provided by policyholders who provided the risk capital.

LIC's Life Fund – the massive pool into which insurance premia flow in and from which all liabilities are to be met – amounted to a whopping Rs 47.85 lakh crores in March 2024. No Indian financial institution or any life insurer worldwide wields the kind of heft that the LIC commands. The corpus has been growing at about 10 per cent annually in the last few years, which explains why private companies would love to get hold of a stake in the behemoth.

How did the Modi government take control of something it did not even own? The subterfuge it adopted is staggering in its audacity. In 2021, the government introduced amendments to the LIC Act, which had, in 1956, given LIC its special character as a public institution, but not structured as a regular company covered by the Companies Act. The Finance Act of 2021 changed this via a Money Bill, thus evading passage through both Houses of Parliament. Among the wide-ranging amendments were also new provisions that bifurcated the LIC's huge unified corpus built over decades into Participatory and Non-Participatory Policies.

The LIC's Participatory policies were hugely popular among millions of policyholders because the LIC had innovatively added a savings layer to regular insurance policies. These policyholders were entitled to 95 per cent of LIC's annual surplus emanating from such policies. This was based on the logic that Participatory policyholders had borne the risk that went with Non-Participatory policies. In one fell swoop, the Finance Bill of 2021 not only brought this down to zero, but transferred this portion of the corpus, amounting to more than Rs 13 lakh crores (at the time), to prospective shareholders. Overnight, policyholders changed from being 'owners' of LIC to mere 'customers'.

The LIC, which pioneered and popularised life insurance in India, filling to some degree the utter lack of a comprehensive social security scheme, has assets valued at more than Rs 56 lakh crores; it provides insurance cover to more than 92 million people.

The nature of its business – providing long term insurance – is also the reason why its investments are particularly suited to investments in infrastructure projects that have long gestation periods. Indeed, it had been doing this for years.

Although just 3.5 per cent of its shares have been offloaded to private investors, there is no doubt that it will be under pressure to reorient its business models in ways that would make it indistinguishable from its private competitors. In the immediate future, there is the danger of an FPO which will further dilute government stake in the entity. The overwhelming majority of its policyholders subscribe to ‘small-ticket’ life insurance policies that privilege safety and security over the illusion of higher returns that also comes with greater risk. Already there is pressure to move away from Non-Participatory policies and to focus more on policies that are tailored to meet the needs of high-value clients, instead of customers opting for smaller insurance covers.

The LIC case illustrates how a highly successful publicly entity can be ‘privatised’ and be fundamentally reoriented to act as a private clone without actually selling a large, let alone a majority, stake.

The Air India Case

The eventual sale of the controlling government stake in Air India to the Tatas in 2021 illustrates how neoliberalism has doggedly pursued its objectives irrespective of the nature of the regime in Delhi. The deal included the sale of Air India, Air India Express, the low-cost international carrier of the company, and Air India’s holding in AISATS, the ground handling company in which Air India is an equal partner with Singapore Airlines.

The Tatas paid Rs 18,000 crores for the takeover. Of this, Rs 15,300 crores was towards a partial settlement of total debts that then amounted to Rs 61,562 crores. In effect, the Government is receiving only Rs. 2,700 crores as cash from the sale. The uncovered debt, amounting to Rs 46,252 crores, is to be transferred to a special purpose vehicle. Structuring the deal in the manner offered significant advantages to the Tatas, most crucially because these debt repayments offered it significant tax breaks.

Most critically for the Tata Group, from being a small player in a somewhat crowded market, it was a part of the duopoly that now controls (along with Indigo Airlines) a market share of more than 80 per cent the Indian air- passenger traffic market. The significance of this was brought home painfully recently in the wake of the sudden collapse of the operations of Indigo, the market-leader, because of its failure to meet regulatory compliance standards relating to crew work schedules.

The jubilant narrative about the sale of Air India rests on the depiction that it was a heavily indebted basket case whose sale was inevitable. However, this mainstream narrative fails to place Air India’s longstanding travails in the context of the egregious policies implemented by its owner (read successive governments in Delhi) over two decades.

The launch of the ‘Open Skies’ policy in 1990, during the period of the V.P. Singh Government, removed the state monopoly on air traffic. More significantly, it moved away from the bilateral air service agreements model (with carriers in other countries) towards a more market-friendly regime.

The ‘Open Skies’ policy was pursued by successive governments, despite this not being reciprocated by other countries. For instance, until 2003–04, foreign carriers were only allowed to operate from the major airports in India; since then, they have been

allowed to directly serve locations in the interior. Liberalised bilateral agreements allowed foreign carriers to significantly enhance capacities while those of Indian airlines were barely at 50 per cent in the early 2000s.

Moreover, dominant airlines like Lufthansa, Cathay Pacific, Qatar Airways, Etihad and Singapore Airlines were able to operate out of airline hubs that brought airlines, airports and air services together so that these airports and airlines could operate at scale. Without state intervention and support for the two Indian public sector airlines and a significant public investment in airport infrastructure such as a hub, even a regional one, could not be built in India. The move to liberalise the Indian aviation market without either demanding reciprocal treatment for Indian carriers, and the failure to undertake investments in building a hub, thus exposed Indian carriers, most notably the two public sector airlines, to unfair competition and other disadvantages.

But the biggest blow to Air India and Indian Airlines came when the UPA Government placed a massive order – in one shot – for the purchase of 111 aircraft. Air India ordered for 50 Boeing aircraft; Air India Charters, its subsidiary, signed a deal with Boeing for 18 more aircraft; the combined value of the orders amounted to Rs 38,149 crore when the deal was signed in December, 2005. In February 2006, Indian Airlines ordered 43 aircraft from Airbus in a deal that was valued at Rs 8,400 crores. The two publicly owned carriers had thus placed orders for 129 aircraft worth Rs 46,549 crores. Parliamentary committee reports and the Comptroller and Auditor General's reports revealed that the NDA as well as UPA governments had repeatedly stalled requests from both airlines that their fleet be augmented, especially when the new private airlines were cornering markets shares. After having denied the two airlines over several years, the orders, when they came, imposed a crushing debt burden on them.

Still worse was to follow. After having placed the huge orders on the basis of the understanding that Indian Airlines and Air India would operate separately, the Civil Aviation now forced the two to merge, without any regard to the kind of fleet they would require as a single entity.

The Aluminium Industry

Soon after the BALCO sale the Vajpayee government made an attempt at selling Nalco in 2002. This was met with swift and strong popular resistance in Odisha where its facilities are located, after which the attempt was abandoned.

The public sector enjoyed a virtual monopoly in the Indian aluminium industry when BALCO started production in 1974. It was incorporated in 1965 and built with Soviet assistance. When Vedanta acquired a controlling stake in BALCO in 2001, the public sector company had a capacity to produce 0.10 million tonnes per annum (mtpa); Vedanta, the acquirer had a meagre capacity amounting to just 0.03 mtpa at the time of the acquisition. In effect Vedanta was taking over the much bigger aluminium producing company, BALCO.

When BALCO started production the largest aluminium producer in the private sector was Hindalco, now part of the Aditya Birla Group. Hindalco started production in 1962 with a capacity of 20,000 tpa plant at Renukoot in Uttar Pradesh, which expanded to 95,000 tpa in 1976. At this time BALCO was still the country's biggest producer of primary aluminium. In the mid-1980s, the second public sector aluminium producing company, National Aluminium Company (Nalco) started aluminium production, using bauxite

resources in eastern India. It started with an initial capacity of 218,000 tonnes, significantly higher than that of Hindalco's at the time.

However, after Hindalco acquired Indal from Canadian multinational Alcan in 2000, its capacity increased significantly, reaching 380,000 tpa in 2005, compared to Nalco's 345,000 tpa. The BALCO facility, now under the control of Vedanta, was yet to expand capacity. In effect, Nalco and Hindalco were almost level in terms of market shares, Hindalco with about 45 per cent and Nalco with 40 per cent; of the remainder 12 per cent was with BALCO.

Nalco is yet another instance of prolonged neglect by its owner, the government. The demand for aluminium was growing rapidly in the 1990s, attracting the two other private players in the industry characterised by an oligopoly. However, since the early 1990s Nalco repeatedly sought permission from its owner, the government, (not money) for investing in its expansion project. The permission came only in 1998, by which time Nalco's competitors were already entrenched. For instance, Nalco was unable to take advantage of the boom in the automobile industry, which resulted in a huge demand for wheels during the last decade. Moreover, like in the steel industry where the public sector companies were prevented from venturing into higher-value products, Nalco too was held back, leaving the field free for the two private companies to exploit.

By 2024–25, Vedanta had acquired a market share of 58 per cent and Hindalco a share of 31 per cent, leaving Nalco with a market share of just 11 per cent. Any possibilities for a PSU acting as a countervailing force in an oligopolistic market were thus eliminated.

CONCLUSION

The trajectory of privatisation in the last three decades reflects a steadfast commitment by successive governments in New Delhi to the agenda. More importantly, privatisation has to be comprehended not narrowly as the sale of public companies to private interests, but more broadly as a means of enhancing the reach of private capital. Moreover, while the private realm has steadily expanded, the space available to publicly-owned entities has shrunk, even as they have come under pressure to reorient their practices in ways that serve the needs of the market rather than of the people.

The framing of this long-term agenda is mistakenly seen to reflect a 'retreat of the state'. Instead, in actual practice, the state has actively intervened in the process, often showing a willingness to recalibrate its approach depending on the political and economic constraints it faced. The ruling dispensations have shown great flexibility in the specific forms in which privatisation is pushed at specific junctures, often in response to constraints imposed by not just political and economic realities at the time, but also the willingness and capacity of private capital. The momentum of privatisation may have stalled at times and gathered steam at others, but the direction has been unwavering. As a result, the private realm has been allowed to steadily invade virtually every space of activity, without necessarily arising from the sale of public assets.

Sector	Expected monetisation value (Rs)	Share (in per cent)
Roads	160200	26.70
Railways	152496	25.42
Power transmission and generation	85032	14.17
Oil and gas pipelines	46966	7.83
Telecom	35100	5.85
Others	120206	20.03

Sectoral composition of Phase II of National Monetisation Pipeline
(2026-2030)

Sector	Target (₹ Lakh Crore)	% Share	Focus Assets
Highways/Multi Modal Logistics Parks/Ropeways	4.420	26.46%	NHAI stretches, Logistics Parks
Power (Transmission and Generation)	2.765	16.54%	Transmission lines, Hydro/Solar plants
Coal & Mines	3.160	18.90%	Mining leases and coal bed methane
Ports	2.637	15.80%	Berths and Terminal operations
Railways	2.623	15.70%	Station redevelopment, Dedicated Freight Corridors
Urban Infrastructure	0.520	3.10%	Stadia, Hotels, Urban Real Estate
Civil Aviation	0.275	1.60%	Airport infrastructure
Others	0.323	1.90%	
Total	16.723	100	

Planned mobilisation of resources based on sale of shares in Public undertakings (2026–2030)

Sector	Target (Rs. crore)
Railways	83700
Coal	48350
Power	31000
Civil Aviation	12550
Natural Gas	3100
Total	178700