A STUDY ON DISINVESTMENT TREND IN THE INDIAN COAL SECTOR

Shruti Poddar, WBNUJS

ABSTRACT

The study of the disinvestment trend in the coal sector explores the shift in India's economic and energy policy framework aimed at reducing government ownership in public sector enterprises (PSEs) and encouraging private sector participation. Historically, the Indian coal sector has been dominated by Coal India Limited (CIL), which held a near-monopoly over coal production and distribution. However, in recent years, the Government of India has adopted a more liberalized approach, marked by the disinvestment of PSEs shares, auctioning of coal blocks to private entities, and policy reforms to attract investment, enhance operational efficiency, and boost competitiveness. This study analyses the rationale behind disinvestment, which includes fiscal consolidation, reduction of administrative burden, modernization of the coal industry. It also highlights the opportunities disinvestment presents, such as increased efficiency, technology infusion, employment generation through private sector growth, and support for India's energy transition goals.

Further, the study evaluates the regulatory, policy, and institutional frameworks governing disinvestment and assesses their adequacy in ensuring a transparent, fair, and sustainable transition. Through qualitative and quantitative analysis, the study concludes that while disinvestment can drive modernization and competitiveness in the coal sector, it must be approached with a balanced strategy that incorporates social equity, and long-term energy security. The paper recommends strengthening institutional oversight, ensuring stakeholder consultation, and adopting inclusive policy mechanisms to realize the full potential of disinvestment in transforming India's coal sector.

Keywords: Disinvestment, Public Sector Enterprises, Coal Sector, Private sector participation etc.

INTRODUCTION

Disinvestment: Concept

There has been a remarkable change in the role of the public sector in the Indian economy since 1991. Some economists argued that the fiscal crisis of 1991 resulted from the public sector's inability to generate adequate returns on investment. The Government's attitude also changed, as is demonstrated in the following statement made in the new Industrial Policy 1991.[1] "After the initial exuberance of the public sector entering new industrial and technical competence areas, several problems began manifesting in many public enterprises. Serious problems are observed in insufficient productivity growth, poor project management, overmanning, lack of continuous technological upgradation, and inadequate attention to Research & Development and Human Resource Development. In addition, public enterprises have shown a very low rate of return on capital investment. This has inhibited their ability to regenerate themselves in terms of new investment as well as in technology development. The result is that many of the public enterprises have become a burden rather than being an asset to the Government".

The New Economic Policy, initiated in July 1991, clearly indicated that the PSEs have shown a very negative rate of return on capital employed. On Account of this phenomenon, many PSEs have become more of a burden than an asset to the Government. Economic policy comprises various measures and changes. The objective of such policy is "to improve the efficiency of the system." In this direction, the reforms to improve the public enterprise's performance have been recognized, appreciated, and identified. To provide a solution to the problems of the public sector, the Government has decided to adopt a new approach, which is the Disinvestment Policy.[2]

The privatization of public sector enterprises was promoted by the 1991 New Industrial Policy. The Government has chosen the disinvestment method for privatization, which entails selling public sector equities to the private sector and the general public. The Government's primary strategy in this area is to reduce the equity in all non-strategic public sector projects to 26% or less and to shut down those projects that cannot be revitalized.

---

[1] MINISTRY OF INDUSTRY, STATEMENT ON INDUSTRIAL POLICY 6 (1991).
[2] *Id*. at 17.

The disinvestment initiative started in 1991–1992, and by 2006–2007, the Government has sold varied amounts of its share in 48 enterprises. Prior to 1998–1999, the Government would annually issue modest tranches of shares domestically or internationally to sell minority ownership. Strategic sales, which involve a successful transfer of administration and control to a private organization, have received more attention since 1999–2000. The reasoning behind this is that the Government would receive a better price from the private sector if it were to relinquish actual control. These notable companies—Hindustan Petroleum Corporation Limited, Rural Electrification Corporation Limited, Dredging Corporation of India Limited, Hospital Services Consultancy Corporation Limited, National Projects Construction Corporation Limited, North Eastern Electric Power Corporation Limited, Tehri Hydro Development Corporation India Limited, Kamrajar Port, Air India, and Neelachal Ispat Nigam Ltd.—have undergone strategic sales.[3]

Objectives of Disinvestment

The Government declared on December 9, 2002, that the primary goal of disinvestment is to maximize the utilization of national resources and assets, focusing on maximizing the productive potential of our public sector businesses. The disinvestment program was specially designed to:

(i) Modernize and upgrade public sector businesses.
(ii) Production of new resources.
(iii) Employment generation.
(iv) Public debt retirement.
(v) To ensure that Disinvestment does not cause national assets to become alienated; instead, they remain where they are. Additionally, it will guarantee that Disinvestment does not lead to private monopolies.
(vi) Establishing a fund for disinvestment proceeds.
(vii) Creating the rules for natural asset companies disinvestment.
(viii) Write a report on the viability and procedures of establishing an asset management company to retain, oversee, and sell the Government's remaining stake in businesses where government stock has been transferred to a strategic partner.
(ix) The Government is making specific decisions listed below:

[3] DATT & SUNDARAM, INDIAN ECONOMY 518 (S.Chand & company Ltd. 2018).

a. To disinvest by offering Bharat Petroleum Corporation Limited (BPCL) shares for sale to the general public.

b. Dis-investing in Hindustan Petroleum Corporation Limited (HPCL) through a strategic sale.

c. Giving employees of BPCL and HPCL a certain percentage of the businesses' shares at a discounted price.[4]

On the other hand, the Ministry of Disinvestment has listed the following as its main goals:

1. Redistributing the substantial sums of public funds that are confined in non-strategic PSEs to areas that rank considerably higher on the social priority list, like social and economic infrastructure, family welfare, essential health, and elementary education.

2. Preventing additional withdrawals of these limited public resources to support the non-strategic PSEs that are not viable.

3. Reducing the national debt is on the verge of becoming unmanageable.

4. Whenever the private sector is ready and able to intervene, business risk is transferred to them.

5. Redistributing additional material and immaterial resources, such as the substantial workforce currently confined to overseeing public sector enterprises, as well as their time and energy, to high-priority social sectors that lack them.[5]

Lastly, Jagdish Prakesh Rao (1996) states that the following are the main goals of disinvesting government equity holdings in PSEs: [6]

(a) To increase tax collections to fulfill the International Monetary Fund's commitment to reducing the budget deficit.

---

[4] PRATIYOGITA DARPAN, INDIAN ECONOMY 81 (Pratiyogita Darpan Editorial Board 2003).

[5] LAXMI NARAIN, PUBLIC ENTERPRISE MANAGEMENT AND PRIVATISATION 316-353 (S.Chand & company Ltd. 2005).

[6] JAGADISH PRAKASH, ADMINISTRATION OF PUBLIC ENTERPRISES IN INDIA 485 (*Himalaya Publishing House 2010*).

(b) To gather adequate resources for the Government's needs.

(c) To guarantee increased responsibility and enhanced effectiveness.

(d) To allow the general public to get involved in PE equity.

(e) To promote and incentive employee responsibility.

(f) To give PSE management greater autonomy and less bureaucratic supervision.

Evolution of Disinvestment Plan in India

Privatization has been one of the most significant changes in economic policy in every nation globally in recent years. A global wave of privatization was initiated in response to the ineffective operations of state-owned businesses. Both socialist economies and developing nations experienced imbalances in their macroeconomic balances, which in turn caused imbalances in their balance of payments. The pace of economic reform was accelerated by these nations' reliance on the West, particularly the United States.

The finance ministers' policy pronouncements in their budget speeches have had a significant role in the evolution of the disinvestment plan. One may argue that Disinvestment is a crucial component of the reforms brought about by the economic crises that followed the 1990s.

The following budget speeches, which are presented chronologically, provide a quick summary of how the Government's disinvestment plan has evolved through various budgets:

A) Interim Budget and Budget Speech, 1991-92 (Chandrashekhar Government Policy):

The Industrial Policy Statement of July 24, 1991, stated that the Government would divest part of its holdings in selected PSEs but did not cap the extent of Disinvestment. Nor did it restrict Disinvestment in favor of any particular class of investors. The objective for Disinvestment was stated that in the case of selected enterprises, part of government holdings in the enterprises' equity share capital will be dis-invested to provide further market discipline for the performance of public enterprises.[7]

[7] MINISTRY OF FINANCE, UNION BUDGET, BUDGET 1991-92 SPEECH OF SHRI MANMOHAN SINGH (1991).

Statement on Industrial Policy dated July 24, 1991:

The Industrial Policy Statement of 24th July 1991 stated that the government would divest part of its holdings in selected PSEs, but did not place any cap on the extent of disinvestment. Nor did it restrict disinvestment in favour of any particular class of investors. The objective for disinvestment was stated that in the case of selected enterprises, part of Government holdings in the equity share capital of the enterprises will be dis-invested in order to provide further market discipline for better performance of public enterprises. [8]

B) Budget Speech, 1999-2000:

"Government strategy towards PSEs will continue to encompass a judicious mix of strength-strategic ones through gradual disinvestment of strategic sale and devising viable rehabilitation strategies for weak units." One highlight of the policy was that the expression 'privatization was used for the first time.[9]

Strategic & Non-Strategic Classification:

On March 16, 1999, for the purpose of disinvestment, the Government classified the Public Sector Undertakings into strategic and non strategic. [10] It was decided that the strategic public sector enterprises would be those in the areas of:

• Arms and Ammunition and the allied items of the defense equipment, defense aircraft, and warships.

• Atomic energy (except it's the areas related to the generation of nuclear power and applications of radiation and radio-isotopes to agriculture, medicine, and nonstrategic industries)

• Railway transport

All other PSEs were to be considered non-strategic. For the non-strategic PSEs. It was

---

[8] V.K. PURI & S.K.MISRA, INDIAN ECONOMY 205 (*Himalaya Publishing House 2009).*

[9] MINISTRY OF FINANCE, UNION BUDGET, BUDGET 1999-2000 SPEECH OF SHRI YASHWANT SINHA (1999).

[10] MANDEEP SINGH AND HARVINDER KAUR, ECONOMIC TRANSFORMATION OF INDIA 60 (*Deep and Deep Publication 2008).*

determined that reducing the government stake to 26% would not happen automatically and that the process and timing of doing so would be determined case-by-case. For example, lowering the government stake to less than 51% or to 26% would depend on the following factors:

- Whether the industrial sector needs a suitable regulatory framework to safeguard the interests of consumers prior to the privatization of PSEs and

- Whether the public sector must be present as a countervailing force to prevent the concentration of power in private hands.[11]

C) Budget Speech 2021-22

In this budget speech, the Government announced a policy of strategic Disinvestment of PSEs. The policy provides a clear roadmap for Disinvestment in all non-strategic and strategic sectors. The Government has kept four strategic areas where a bare minimum of Central PSEs will be maintained and the rest privatized. In the remaining sectors, all Central PSEs will be privatized. To fast forward the disinvestment policy, NITI Aayog was asked to work out the next list of Central PSEs that would be taken up for strategic Disinvestment.[12]

Highlights of Disinvestment/Strategic Disinvestment Policy

Objectives

1. Minimizing the presence of Central PSEs, including financial institutions, and creating new investment space for the private sector

2. Post-disinvestment, economic growth of Central PSEs/ financial institutions will occur through the infusion of private capital, technology, and best management practices. Will contribute to economic growth and new jobs.

3. Disinvestment proceeds to finance various social sector and developmental programs of the Government.

---

[11] Supra Note 8, at 205.

[12] MINISTRY OF FINANCE, UNION BUDGET, BUDGET 2021-22 SPEECH OF NIRMALA SITHARAMAN (2021).

Policy features

a) The policy covers existing Central PSEs, Public Sector Banks, and Public Sector Insurance Companies.

b) Various sectors will be classified as strategic and non-strategic sectors.

c) The strategic sectors classified are:

   i) Atomic energy, Space and Defence

   ii) Transport and Telecommunications

   iii) Power, Petroleum, Coal and other minerals

   iv) Banking, Insurance, and financial services

d) In strategic sectors, the public sector enterprises will have the bare minimum presence. The remaining Central PSEs in the strategic sector will be privatized or merged, subsidiarized with other Central PSEs, or closed.

e) In non-strategic sectors, Central PSEs will be privatized; otherwise, they shall be closed.

Modes of Disinvestment

As per the Disinvestment policy[13], Public Sector Undertakings are the wealth of the nation, and to ensure that this wealth rests in the hands of the people, public ownership of Central PSEs is to be promoted, which is done in the following ways:

Minority Stake Sale: In some listed Central PSEs, the Government carries out minority stake sale without transfer of management control through various SEBI approved methods in order to unlock the value, promote public ownership, meet the minimum public shareholding norms of SEBI, and ensure a higher degree of accountability. While pursuing disinvestment through minority stake sale in listed Central PSEs, the Government will retain majority shareholding,

[13] DEPARTMENT OF INVESTMENT AND PUBLIC ASSET MANAGEMENT, New Public Sector Enterprises Policy for Atmanirbhar Bharat (2021).

i.e., at least 51 *percent* of the shareholding and management control of the Public Sector Undertakings. In November 2019, the CCEA gave 'in principle' approval for enabling the reduction of the GoI's paid-up Share Capital in selected Central PSEs below 51 *percent* while retaining the management control.[14] Central PSEs in which Government of India equity shall go below 51 *percent* would be decided/approved by CCEA on a case-to-case basis upon recommendations of the Alternative Mechanism.[15] The extent to which GoI paid-up share capital may be brought down would also be decided by the Alternative Mechanism.

Strategic Disinvestment: Strategic Disinvestment implies the sale of an entire or a substantial portion of Government shareholding in identified Central PSEs, up to 50 *percent* or more, along with the transfer of management control. In January 2021, the New Public Sector Enterprise policy for Atmanirbhar Bharat was approved, which delineates four strategic sectors based on the criteria of (i) national security, (ii) energy security, (iii) critical infrastructure, and (iv) provision of financial services and availability of important minerals. A bare minimum presence of the existing public sector commercial enterprises at the Holding Company level will be retained under Government control in the strategic sectors. The remaining will be considered for privatization, merger, or subsidization with another PSU or for closure. All PSEs in non-strategic sectors shall be considered for privatization, where feasible. Otherwise, such enterprises shall be considered for closure.[16]

However, the policy does not apply to certain classes of public sector entities such as not-for-profit companies, Central PSEs providing support to vulnerable groups, or having developmental/promotional roles, etc.

The Government takes different routes for Disinvestment, which are as follows:

1) Initial/Further Public Offer (IPO/FPO)

Public Offer: When an issue/offer of shares or convertible securities is made to new investors for becoming part of the shareholders' family of the issuer, it is called a 'public Issue'. Public

[14] CABINET COMMITTEE ON ECONOMIC AFFAIRS, Cabinet approves reduction of Government of India equity shareholding in select CPSEs below 51% by retaining management control, https://pib.gov.in/Pressreleaseshare.aspx?PRID=1592539 (last visited June 25,2024).
[15] Comprises of Finance Minister, Minister of Road Transport and Highways and Minister of Administrative Ministry of the concerned CPSE.
[16] Supra Note 50.

Issue can be further classified into Initial public offer (IPO) and Further public offer (FPO). The significant features of each type of public issue are illustrated below:

(i) **Initial public offer (IPO)**: When an unlisted company makes either a fresh issue of shares or convertible securities or offers its existing shares or convertible securities for sale or both for the first time to the public, it is called an IPO. This paves the way for listing and trading of the issuer's shares or convertible securities on the Stock Exchanges.

(ii) **Further public offer (FPO):** When an already listed company makes either a fresh issue of shares or convertible securities to the public or an offer for sale to the public, it is called an FPO.

2) Buyback of shares

Buyback is a process where a company purchases its shares from its existing shareholders to restructure capital and increase the underlying value of shares.[17]

Companies buy back their shares for a number of reasons:

(i) To increase the value of shares held by promoters.

(ii) To eliminate any threats by minority shareholders who may be looking for a controlling stake.

(iii) For PSEs, Buyback is a tool for the Government of India to disinvest the equity held by GoI in PSEs and make proper utilization of idle cash left with PSEs.

3) Offer for Sale

Offer for sale is a simpler method of share sale through the exchange platform for listed companies. In 2012, the SEBI first introduced the OFS through the stock exchange mechanism, which allowed the government to off-load their existing shares in listed public sector companies directly using a dedicated segment of the stock exchange.[18] The method was largely adopted by listed companies, both state-run and private, to adhere to the SEBI norms of

---

[17] The Companies Act, 2013, § 68-70, No. 18, Acts of Parliament, 2013 (India).
[18] SECURITIES EXCHANGE BOARD OF INDIA, REVIEW OF EXISTING FRAMEWORK FOR OFFER FOR SALE (OFS) OF SHARES THROUGH STOCK EXCHANGE MECHANISM (2012).

minimum public shareholding. The Government often used this route to divest its shareholding in Central PSEs.

Salient features of OFS:

(i) simple to execute

(ii) market-driven

(iii) Govt. continues to retain management control

(iv) Cost-effective

(v) Time efficient (completed in 2 trading days)

(vi) Transparent allocation is based on price parity.

Prior to 2012, the promoters (including the Government) would generally offer their shares for sale to the public through public offer by issuing prospectus or through block deals.[19] The Process of the public offer remains cumbersome, requiring the filing of a detailed prospectus with SEBI and the ROC, making it time-consuming and expensive. Block deals raised questions about transparency in the bulk sale of shares by promoters and its unintended impact on the stock price.[20] These questions became more relevant in the sale of shares of Central PSEs due to greater public scrutiny.

With the introduction of the OFS route through stock exchange, it simplified the process of disinvestment in the following ways:

- It requires only a notice to be sent to the stock exchange disclosing all the details required under the SEBI Guidelines, 2012.[21] No offer documents needs to be filed with the SEBI or ROC.

[19] SECURITIES EXCHANGE BOARD OF INDIA, GUIDELINES FOR EXECUTION OF BLOCK DEALS ON THE STOCK EXCHANGES (2005).
[20] SECURITIES EXCHANGE BOARD OF INDIA, REVIEW OF BLOCK DEAL WINDOW MECHANISM (2017).
[21] SECURITIES EXCHANGE BOARD OF INDIA, SEBI (FRAMEWORK FOR REJECTION OF DRAFT OFFER DOCUMENTS) ORDER,2012 (2012).

- It is faster because it involves fewer formalities, and the entire process, from announcement to settlement completion, can be completed within 4 days.

- It allows the Government to cancel the OFS through a stock exchange mechanism if there is a lack of sufficient demand on the first trading day and thereafter plan the OFS at a more suitable time in the future.

4) Exchange Traded Fund (ETF)

The idea of an ETF covering the index of listed Central PSEs was first proposed by the Kelkar Fiscal Committee in 2012. They identified two concerns with disinvestment: (i) how to get the sale price right and (ii) how to reduce risks for retail investors. The committee proposed a market-based ETF that can reduce risks for retail investors and also helped them in diversifying their portfolios. The Ministry of Finance accepted the recommendation, and the Cabinet gave its approval to the Central PSEs ETF scheme.[22]

ETF is a pool of stocks that reflects the composition of an index, like S&P BSE SENSEX. In this method, the Government sells shareholding in select Central PSEs to a fund house that owns the ETF. The ETF fund manager first formulates the scheme and offers it to the public for subscription by way of a New Fund Offer (NFO). The subscription proceeds are used to purchase the shares of constituent companies in similar composition and weights based on the underlying index. Shares are usually sold at a discount to the scheme, and the fund manager, in turn, creates and allows units of the scheme to the investors. Once the NFO closes, the units are listed on the exchanges.

5) Strategic Disinvestment

'Strategic disinvestment' implies the sale of a substantial portion of the Government shareholding of a Central PSEs of up to 50% or such higher percentage, as the competent authority may determine, along with the transfer of management control. The resources unlocked by the strategic disinvestment of these Central PSEs would be used to finance the social sector/developmental programmes of the government that benefit the public. The

[22] MINISTRY OF FINANCE, KELKAR COMMITTEE REPORT ON ROADMAP FOR FISCAL CONSOLIDATION (2012).

unlocked resources would form part of the budget, and their usage would be scrutinized by the public.[23]

The policy of strategic disinvestment is followed with respect to the Central PSEs that are not in the 'priority sector.' For this purpose, NITI Aayog has been mandated to identify Central PSEs for Strategic Disinvestment. NITI Aayog identifies such Central PSEs based on the criteria of (i) National Security, (ii) Sovereign functions at arm's length, and (iii) Market Imperfections and Public Purpose.[24] Strategic Disinvestment of Central PSEs is being guided by the basic economic rationale that Government should discontinue in sectors where competitive markets have come of age, and the economic potential of such entities may be better discovered in the hands of strategic investors due to various factors such as infusion of capital, technological upgradation, and efficient management practices; and would thus add to the GDP of the country.

Procedure for Disinvestment

The disinvestment process for Initial Public Offer/Follow-on Public Offer/Offer for Sale involves the following steps:

• In-principle consent is required from the Administrative Ministry of the Central PSEs concerned.

• Approval of the proposal to disinvest by the CCEA.

• Constitution of an Inter-Ministerial Group[25] with the approval of the Finance Minister to guide and oversee the disinvestment process.

• Appointment of Advisors[26] by the Inter-Ministerial Group for the transaction.

• Presentation by Book Running Lead Managers before High-Level Committee[27] on valuation.

[23] REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA, General Purpose Financial Reports of Central Public Sector Enterprises (Complaince Audit) (Report No. 18 of 2019).
[24] NITI AAYOG, ANNUAL REPORT 2016-17 7 (2017).
[25] The Group is chaired by the Secretary, DIPAM and Secretary of the Administrative Ministry/Department and comprises of nine Secretaries or their representatives (not below the rank of Joint Secretary).
[26] Including Merchant Bankers/ Book Running Lead Managers / Legal Advisers.
[27] Comprises of Secretary, Joint Secretary and Financial Advisor of DIPAM, and Secretary, Joint Secretary and Financial Advisor of the concerned Administrative Ministry.

• High-Level Committee recommends price band/ floor price to 'Alternative Mechanism' taking into consideration the recommendation of the Book Running Lead Managers.

• Approval by Alternative Mechanism of recommended price band/ floor price, method of disinvestment, price discount for retail investors and employees, etc.

With respect to strategic disinvestment, as per erstwhile procedure, NITI Aayog was mandated to identify Central PSEs for strategic disinvestment. Recommendations of NITI Aayog were examined by the Core Group of Secretaries on Disinvestment chaired by the Cabinet Secretary. Core Group of Secretaries on Disinvestment takes into consideration inputs from the Administrative Ministry, NITI Aayog, DIPAM, and other relevant ministries such as the Department of Legal Affairs, Department of Public Enterprises, Ministry of Corporate Affairs, etc. Where Core Group of Secretaries on Disinvestment recommended for strategic Disinvestment of a Central PSEs after detailed deliberations, DIPAM took "in-principle" approval for Strategic Disinvestment of that Central PSEs from the CCEA.[28]

As per the New Public Sector Enterprise policy for Atmanirbhar Bharat (approved in January 2021), NITI Aayog was to make recommendations regarding the Central PSEs in four broad strategic sectors. This was to be examined by Core Group of Secretaries on Disinvestment, after which approval of Alternative Mechanism was to be sought. Thereafter, in-principle approval of CCEA was to be obtained (i) by DIPAM for cases where an Alternative Mechanism was decided for privatisation or merger/subsidiarisation of the identified Central PSEs and (ii) by the Administrative Ministry in cases where an Alternative Mechanism was decided for Closure. In respect of Central PSEs falling under non-strategic sectors, Department of Public Enterprises was mandated to identify the Central PSEs for strategic disinvestment or closure. Once the CCEA accords in-principle approval for strategic Disinvestment of a Central PSE, a two-stage auction process is followed, which is spearheaded at the level of the Inter-Ministerial Group, whose recommendations are examined by the Core Group of Secretaries on Disinvestment, which submits proposals to Alternative Mechanism at every stage.[29]

---

[28] MINISTRY OF FINANCE, PRESS INFORMATION BUREAU, Government has given 'in principle' approval for strategic disinvestment of 33 CPSEs (2019).
[29] DEPARTMENT OF INVESTMENT AND PUBLIC ASSET MANAGEMENT, New Public Sector Enterprises Policy for Atmanirbhar Bharat (2021).

Disinvestment process for Initial Public Offer/Follow-on Public Offer/Offer for Sale

In-principle consent by the Administrative Ministry of the concerned Central PSE

↓

Approval by the CCEA

↓

Constitution of an Inter-Ministerial Group with approval of the Finance Minister

↓

Appointment of Advisors by IMG

↓

Presentations by Advisors before HLC

↓

Recommendation by HLC on price band to Alternative Mechanism

↓

Approval by Alternative Mechanism

Disinvestment process for strategic disinvestment or closure of PSEs in strategic sectors

Recommendations of NITI Aayog

↓

Examination and Detailed deliberations by CGD

↓

In-principle approval of CCEA to be obtained by :

(i) DIPAM: in cases of privatization

(ii) Alternative Mechanism: in cases of closure

Disinvestment process for strategic disinvestment or closure of PSEs in non-strategic sectors

Identification by Department of Public Enterprises

↓

In-principle approval by CCEA

↓

Initiation of Two-stage Auction Process

Coal Sector: An Overview

The ability to provide energy security to the greatest number of people at reasonable rates is a key indicator of a country's growth and development. The nation's population is always growing, and this is driving up energy demand. Electricity, which is produced primarily from coal and is one of the most vital energy components in any society, is particularly abundant and reasonably priced in a country like India.[30] In our nation, coal provides around 75% of the electricity needed.[31] Given its plentiful resources in India, coal undoubtedly fits the criteria for energy security in terms of access to energy at a reasonable price.[32] In the current environment, when renewable energy sources are being embraced globally, the coal industry still provides at least half of India's fundamental energy needs and will do so for several decades to come. According to the Planning Commission's Integrated Energy Policy, coal will continue to provide 40% of the world's primary energy needs even after the 2030s.[33] In India, the coal business is controversial and faces many difficulties and worries. There are numerous structural

[30] MINISTRY OF COAL, COAL - INDIAN ENERGY CHOICE, https://coal.nic.in/en/major-statistics/coal-indian-energy-choice (last visited March 1, 2022).
[31] MINISTRY OF COAL, GENERATION OF THERMAL POWER FROM RAW COAL, https://coal.nic.in/en/major-statistics/generation-of-thermal-power-from-raw-coal (last visited January 12, 2022).
[32] Id.
[33] PLANNING COMMISSION, INTEGRATED ENERGY POLICY, REPORT OF THE EXPERT COMMITTEE (2006).

and regulatory problems plaguing the industry.[34] The Indian coal industry has regulatory obstacles that undermine the goal of good governance, in addition to a number of competition-related problems. Particularly with the coal allocation scam—famously known as "The Coalgate Scam"—the industry has been in the spotlight. The Comptroller and Auditor General of India in 2012[35] questioned the allocation process of coal mines to captive players. In 2014, the apex court delivered a judgement in Manohar Lal Sharma v. Principal Secretary[36] 218 coal blocks was canceled. Numerous legal and regulatory changes have been implemented in the sector to address the shortcomings following this court's decision.

The introduction of competitive bidding[37] in the auction process in 2014 and now commercializing the sector with a common e-auction window for the allocation of mines show a progressive move towards an attempt to eliminate governance issues.[38] However, it is now necessary to examine the internal issues surrounding the coal industry in India, both because it is one of the country's most significant non-renewable energy sources and because it is about to undergo a radical transformation in order to meet the commitments made at the United Nations Framework Convention on Climate Change and Conference of Parties in November 2021.

As India's coal industry enters a revolutionary phase, it is imperative that the aforementioned issues be examined effectively through legislative and policy changes as well as a general improvement in the execution process. We must shed some light on the history of this black fuel in India, paying particular attention to the causes and consequences of its nationalization in order to analyze and comprehend the issues that the coal industry is confronting.

Importance of Coal in the Economy

Coal is defined as "Coal is a combustible compact black or dark-brown carbonaceous sedimentary rock formed from compaction of layers of partially decomposed vegetation and occurs in stratified sedimentary deposits, primarily used as a solid fuel to produce electricity

[34] Radheshyam Jadhav, Structural Problems That Fuel The Coal Crisis, The Hindu, October 17, 2021, at https://www.thehindubusinessline.com/data-stories/deep-dive/structural-problems-that-fuel-the-coalcrisis/article37037244.ece
[35] MINISTRY OF COAL, ANNUAL REPORT 2012-13 149 (2013).
[36] Manohar Lal Sharma v. Principal Secretary & Ors., (2014) 9 SCC 516.
[37] MINISTRY OF COAL, ANNUAL REPORT 2022-23 77 (2023).
[38] Press Trust of India, Cabinet Approves Offering of Coal Via Common E-Auction Window, The Hindu, Feb 26, 2022, at https://www.thehindu.com/business/Industry/cabinet-approves-offering-of-coal-via-common-e-auction-window/article65087783.ece

and heat through combustion".[39] Other available fuel resources are oil, natural gas, and uranium.[40] However, coal is widespread and is available as a fossil fuel around the globe.[41]

The coal sector has always been the main and essential resource for incorporating the needs of the growing economy, and for Indian industry, coal is indispensable. It has contributed considerably to the rapid industrialization of the country.[42] Coal currently accounts for 55% of India's total energy consumption; it will remain the most important fuel for driving sustained economic growth for many years to come. Therefore, an affordable and sustainable supply of coal is inextricably linked to the goal of ensuring energy security for India.[43] Coal provided around 53% of the energy in the form of primary commercial energy in India in 2012 and is expected to provide around 47% of primary commercial energy in 2031-32, according to the Integrated Energy Policy.[44] According to the World Energy and Climate Statistics - Yearbook 2023, Asian coal-producing countries account for more than 70% of global coal output. China remained the world's largest coal producer in 2022, producing 4,430 MT, accounting for more than half of the supply (51% in 2022), and its share is growing (+4% points since 2019), followed by India's coal production of 937 MT (11%) and Indonesia producing 690 MT (8%).[45]

Commercial primary energy consumption in India has grown by about 700% in the last four decades. The current per capita commercial primary energy consumption in India is about 350 kg/year, which is well below that of developed countries.[46] Driven by the rising population, expanding economy, and a quest for improved quality of life, energy usage in India is expected to rise. Considering the limited reserve potentiality of petroleum & natural gas, eco-conservation restrictions on the hydel projects, and geo-political perception of nuclear power,

---

[39] MINISTRY OF MINES, GEOLOGICAL SURVEY OF INDIA, https://mines.gov.in/webportal/content/gsiao (last visited November 19, 2024).
[40] MINISTRY OF COAL, REPORT OF THE EXPERT COMMITTEE ON ROAD MAP FOR COAL SECTOR REFORMS 1 (2005).
[41] PREPARED FOR MINISTRY OF CORPORATE AFFAIRS, Competitiveness in the coal sector (2012).
[42] Arpita Khanna, Governance in Coal Mining: Issues and Challenges, 9 THE ENERGY AND RESOURCES INSTITUTE 7,8 (2013).
[43] *Id.*
[44] Mamta Nayak, Competition and Regulatory Issues in Coal Sector in India, 4 CENTRE FOR COMPETITION, INVESTMENT & ECONOMIC REGULATION 1, 2 (2014).
[45] WORLD ENERGY & CLIMATE STATISTICS - YEARBOOK 2024, COAL AND LIGNITE PRODUCTION, https://yearbook.enerdata.net/coal-lignite/coal-production-data.html (last visited Oct 10, 2024).
[46] MINISTRY OF COAL, India needs 1.3 to 1.5 billion tonnes of coal by 2030, https://pib.gov.in/PressReleasePage.aspx?PRID=1806584 (last visited Mar 20,2024).

coal will continue to occupy the center stage of India's energy scenario.[47]

Indian coal offers a unique eco-friendly fuel source to domestic energy market for the next century and beyond. Hard coal deposits spread over 27 major coalfields and are mainly confined to the eastern and south-central parts of the country.[48]

Financial position of Coal India Limited before 1991

The First Five-Year Plan recognized the increased demand for coal production with the onset of Indian independence. Representatives from the government, labor unions, and coal business formed the Working Party for the Coal business in 1951, and they recommended combining small and uneven producing units.[49] As a result, the concept of a nationalized, unified coal industry emerged. A feature that emerged after independence is the inclusion of overall planning in coal mining. Both private companies and government initiatives, such as the Singareni Collieries Company Limited and the National Coal Development Corporation (NCDC), were involved in coal mining and production in India from the time of independence until 1970.[50] In order to expedite the development of new coal mines and explore new coalfields, the NCDC was established with 11 collieries.

Two connected events culminated in the factors that led to the nationalization of India's coal industry in the early 1970s.[51] First, the shock of the oil price caused the nation to closely examine its energy options. The main source of commercial energy was determined to be coal by the Fuel Policy Committee, which was established for this reason. Second, with the private sector controlling the majority of coal mining, the much-needed investment required for this industry's expansion was not flowing.[52]

However, the nationalization of private coal companies was the outcome of worries about unplanned expansion, a lack of coal due to the need to supply the expanding steel and iron

[47] Sajal Bose, Coal remains an invincible force, Business India, Nov 13, 2022, at https://businessindia.co/magazine/coal/coal-remains-an-invincible-force
[48] MINISTRY OF COAL, Coal - Indian energy choice, https://coal.nic.in/en/major-statistics/coal-indian-energy-choice (last visited May 11, 2024).
[49] NIDHI SRIVASTAVA, Supra note 11.
[50] ARPITA KHANNA, Supra note 19.
[51] Rajiv Kumar, *Nationalisation by default: The case of coal in India*, ECONOMIC & POLITICAL WEEKLY, 757-768 (1981).
[52] MINISTRY OF COAL, Reforms initiated in 2014 transform coal sector, making it more efficient, transparent, investor-friendly and ensuring coal's vital role in nation’s economic growth and energy security (2024).

industries, and unscientific mining and exploration methods. This was accomplished gradually, at first by seizing control of Coking Coal and Coal Mines and then later by nationalizing coal mines.[53]

In the 1970s, the government's national energy program led to two phases of almost complete governmental control over India's coal mines.[54] The government of India assumed control of the management of all 226 coking coal mines and nationalized them on May 1, 1972, after promulgating the Coking Coal Mines (Emergency Provisions) Act 1971 on October 16, 1971, with the exception of the captive mines of Indian Iron and Steel Company, Tata Iron and Steel Company, and Damodar Valley Corporation.[55] This led to the creation of Bharat Coking Coal Limited. Additionally, on January 31, 1973, the Central Government assumed management of all 711 non-coking coal mines under the Coal Mines (Taking over of Management) Ordinance 1973.[56] The Coal Mines Authority Limited (CMAL), a public sector organization, was established to oversee these non-coking mines in the subsequent stage of nationalization, which took effect on May 1, 1973.[57] In 1973, the Coal Mines Authority Ltd. established the NCDC subsidiary and the Bharat Coking Coal Ltd. took control of the privatized coal mines. This nationalization project's mandate was to reorganize and restructure coal mines in order to ensure that coal resources were used and developed in a way that was reasonable, coordinated, and scientifically in accordance with what was needed for the nation's development.[58] It was believed that by giving the Indian government control over the coal business, resources would be better used to safeguard the interests of the coal industry as well as related sectors like the steel and iron industries. Apart from this directive, it was also envisaged that nationalization would contribute to the nation's overall development.[59]

In 1975, Coal was granted a statutory monopoly and placed under the control of CIL, a company that was formed from the CMAL.[60] The only authority to conduct coal exploration,

---

[53] The Coking Coal Mines (Emergency Provisions) Act 1971; Coal Mines (Taking Over of Management) Act 1973.
[54] COAL INDIA LIMITED, Integrated Report 2017-18 12 (2018).
[55] MINISTRY OF COAL, Coal Directory of India 2010-11 1.4 (2012).
[56] WESTERN COALFIELDS LIMITED, SECTION 4(B)-(I):PARTICULARS OF ORGSNIZATION, http://westerncoal.in/index1.php/showPage/241 (last visited Jan 12, 2024).
[57] COAL INDIA LIMITED, Annual Report 2010-11 63 (2011).
[58] The Coking Coal Mines (Nationalisation) Act 1972; The Coal Mines (Nationalisation) Act 1973.
[59] Shivjeet Parthasarathy, Regulating India’s Coal Sector: Lessons for the future, from the past, 6 JINDAL JOURNAL OF PUBLIC POLICY 45 (2022).
[60] PROBAL BASAK, Blessing in disguise for Coal India?, Business Standard, Nov 25, 2024, https://www.business-standard.com/article/economy-policy/blessing-in-disguise-for-coal-india-114103000526_1.html (last visited Nov 25, 2024).

prospecting, mining, and production would belong to CIL in an effort to comprehend India's coal nationalization process. It is mentioned that the justification for public utility ownership is to provide employment possibilities, regional revenue distribution, economic growth, and technological advancements.[61]

These overarching principles also applied to the rationale of nationalization. The metallurgical industry's needs for coking coal were too great for the private sector to meet, and it was thought that only the government could "properly exploit" the resource in accordance with Article 39(b) of the Indian Constitution for the benefit of all.[62] The government was compelled to intervene in order to address the mishandling of workers' pay and the infringement of other safety regulations. Last but not least, it was believed that significant public money would be needed to enable the private sector to make the necessary investments for production expansion. It looked more sensible for the government to take over the industry in order to guarantee better resource use, more vigilant oversight of labor and safety issues, and the creation of the necessary investments to increase industry productivity.[63] Given that the sector's output increased from 78 million tons of coal in 1974–1975 to 230 million tons in 1995–1996 following nationalization, this claim appeared to be well-founded.[64]

Nevertheless, despite the increase in output, nationalization brought with it other shortcomings that were significantly below global industry standards. India was not on par with the rest of the world on a number of indicators, including output quality, productivity movements, and mining techniques, which indicated that the nationalization experiment was failing. The coal sector was then opened up to private players in 1992 as part of the broader economic liberalization of the 1990s, which also included the coal sector. The first set of reforms was limited to captive mines of end-using industries like steel, cement, and power.

From 1992 to 1996, the growth rate slowed to 4 percent annually, down from the 6 percent annual growth rate during the nationalized years. Production fell from 45.36 million tons in 1992–1993 to 40.10 million tons in 1995–1996.[65] Consequently, even though India had more than 200 billion tons of coal reserves at the time, a significant amount was imported. Soon, the

---

[61] Giandomenico Majone, The rise of the regulatory state in Europe, 29 WEST EUROPEAN POLITICS 79 (2006).
[62] TNN, Supra note 95.
[63] Monica Sah and Daintith Terrence, Privatisation and The Economic Neutrality of the Constitution, Public Law, 465-487 (1993).
[64] Suchitra Sengupta, *A Regulatory Body for the Newly Liberalized Coal Sector*, ECONOMIC & POLITICAL WEEKLY, M25-M33 (1999).
[65] Id. at M26.

gears were changed because the reforms were not proceeding as planned. The government made the decision to restructure the public sector following the July 1991 introduction of new industries. It implemented its disinvestment policies based on the Rangarajan committee's suggestion. Report on Disinvestment and Strategy by the Rangarajan Committee. The Central Government established a committee in 1993, with Mr. C. Rangarajan serving as its chairman. The necessity of significant disinvestment was underlined in this report's references.[66] The committee recommended that up to 49% of equity in industries specifically designated for the public sector and more than 74% of equity in other businesses be divested. Only six industries—coal and lignite, mineral oils, weapons and ammunition, atomic energy, radioactive materials, and railroad transportation—were advised to hold 51 percent or more of the company.[67] Offering shares to the public at a set price is the best way to disinvest. Rather than setting disinvestment goals for each year, a clear action plan should be created. Sales will be spaced out to obtain the most excellent prices, and disinvestment will be made in phases. A plan for giving workers and employees preference shares will be developed. Ten percent of the earnings will be allocated for concessional loans to state businesses. In 1995, the government formed a Committee on Integrated Coal Policy under the authority of the Planning Commission.[68] The following suggestions were included in the Committee's report:[69]

- Open up mining to private investors not only for captive use but also for sale.
- Foreign equity being brought in would receive automatic approval if the foreign equity was up to 50 percent. Amounts higher than that would require requisite clearance by the Foreign Investment Promotion Board and the involvement of the Registrar of Companies.
- Permit foreign investors to set up 100 percent subsidiaries to undertake mining and exploratory ventures.
- Install a competitive bidding mechanism for coal and lignite blocks to determine mining activities.

---

[66] MINISTRY OF DISINVESTMENT, Disinvestment : Policy, Procedures and Progress 13 (2003).
[67] DEPARTMENT OF INVESTMENT AND PUBLIC ASSET MANAGEMENT, Disinvestment Manual 13 (2003).
[68] MINISTRY OF COAL, Supra note 109, at M27.
[69] NITI AAYOG, Report of the Committee on Integrated Coal Policy, Planning Commission (1996).

After the government took control of private coal mines in November 1975, CIL was established as an organized state-owned coal mining corporation.[70] CIL is currently the world's greatest coal producer, despite its small 79 million tons of production in the year of its inception.[71] By achieving environmentally and socially sustainable growth through best practices from mine to market, CIL strives to become a major participant in the primary energy sector on a worldwide scale. 81.1% of India's total coal production comes from CIL's Strategic Relevance. CIL alone provides 40% of the primary commercial energy needed in India, and coal accounts for about 52% of primary commercial energy. It provides fuel to 82 of India's 86 coal-based thermal power nuclear power plants and controls about 74% of the country's coal market. It also represents 76% of the utility sector's total thermal power generation capacity.[72]

Financial Performance of Coal India Limited till FY 2022-23

The below table shows the financial performance trend of Coal India Limited during the FY 2012 - 12 and 2022-23:

Financial performance trend of Coal India Limited during the FY 2012 - 12 and 2022-23:

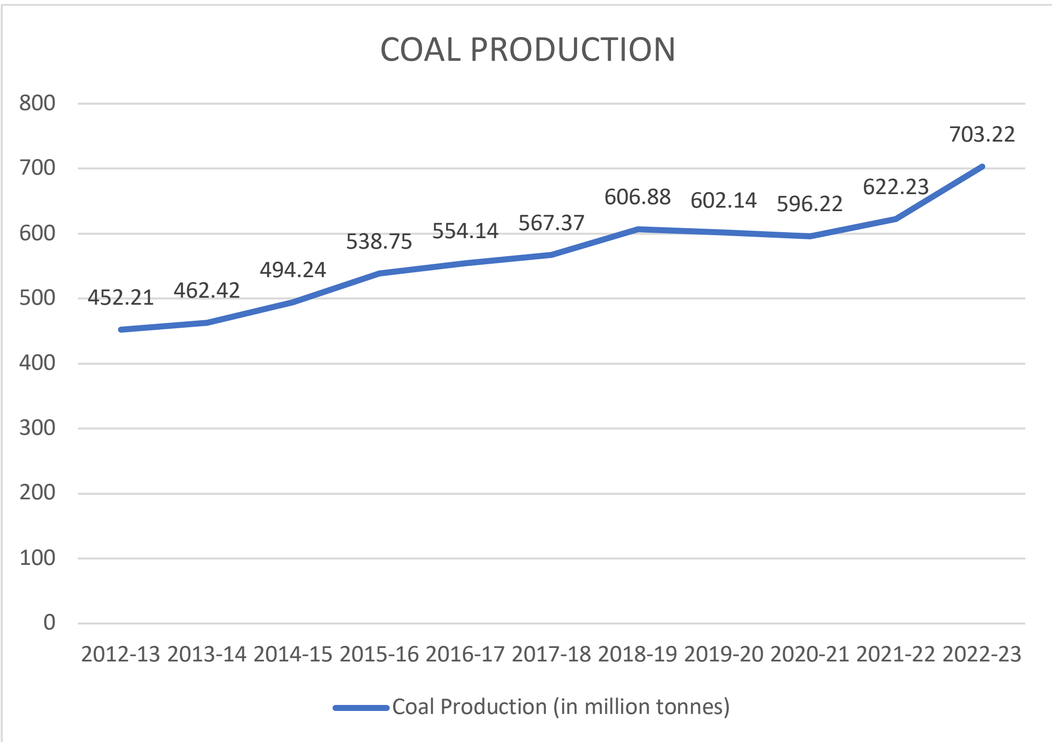
Particulars	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**
Production of Coal (in million tonnes)	452.21	462.42	494.24	538.75	554.14	567.37	606.888	602.14	596.22	622.23	703.20

[70] COAL INDIA LIMITED, Annual Report 2017-18 41 (2018).
[71] MINISTRY OF COAL, Annual Report 2020-21 75 (2021).
[72] MINISTRY OF COAL, Annual Report 2014-15 37 (2015).

Sales (in crores)	88281.32	89374.51	95434.76	108150.03	122286.96	126543.97	140603.00	134979.13	126786.13	152667.14	127627.5
Profit (in crores)	17356	15111.63	13726.61	14274.30	9279.99	7038.44	17464.42	16700.34	12702.17	17378.42	27064.90

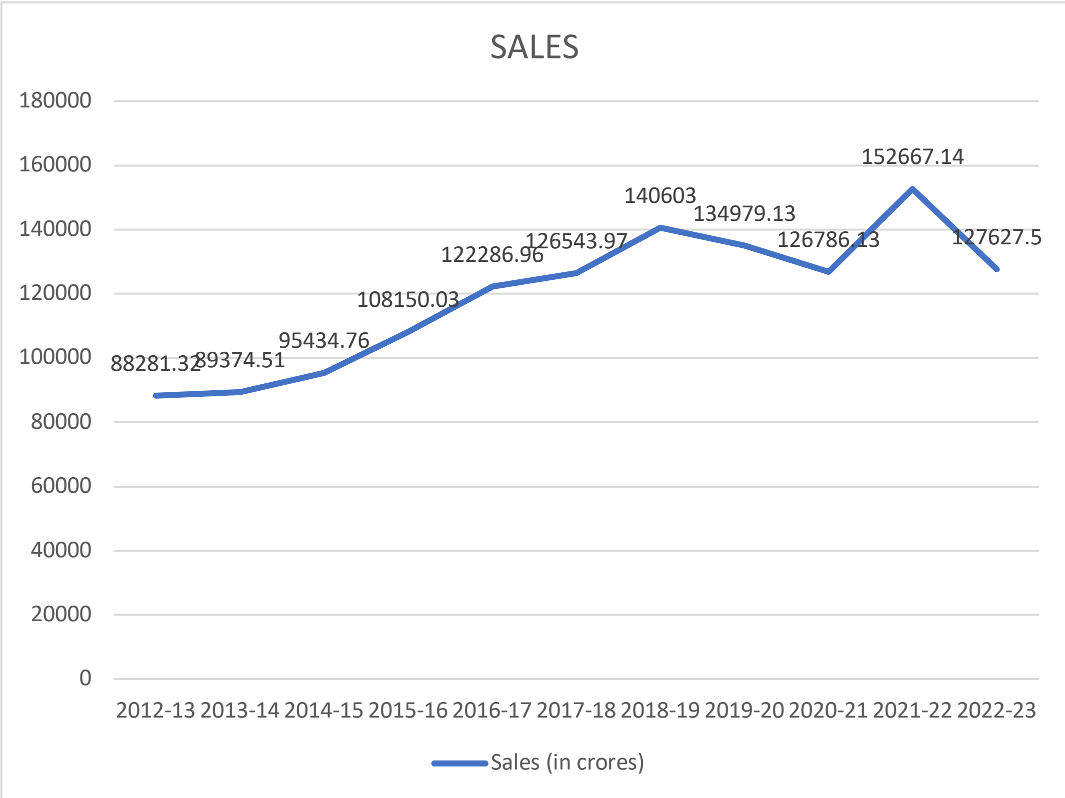
Source: Ministry of Coal, Annual Report, 2022-23

The production of coal during FY 2021-22 was 622.23 million tonnes compared to 596.22 million tonnes produced in the year 2020-21, with an annual growth of 4.36%. The coal production has been continuously increasing from FY 2012-13 till 2018-19, registering a growth rate of 34.20%. Thereafter, a decreasing trend was seen in the FY 2019-20 and 2020-21. In FY 2021-22, 622.23 million tonnes of coal were produced, with a growth rate of 37.60% compared to the coal produced in FY 2012-13, i.e., 452.21 million tonnes.



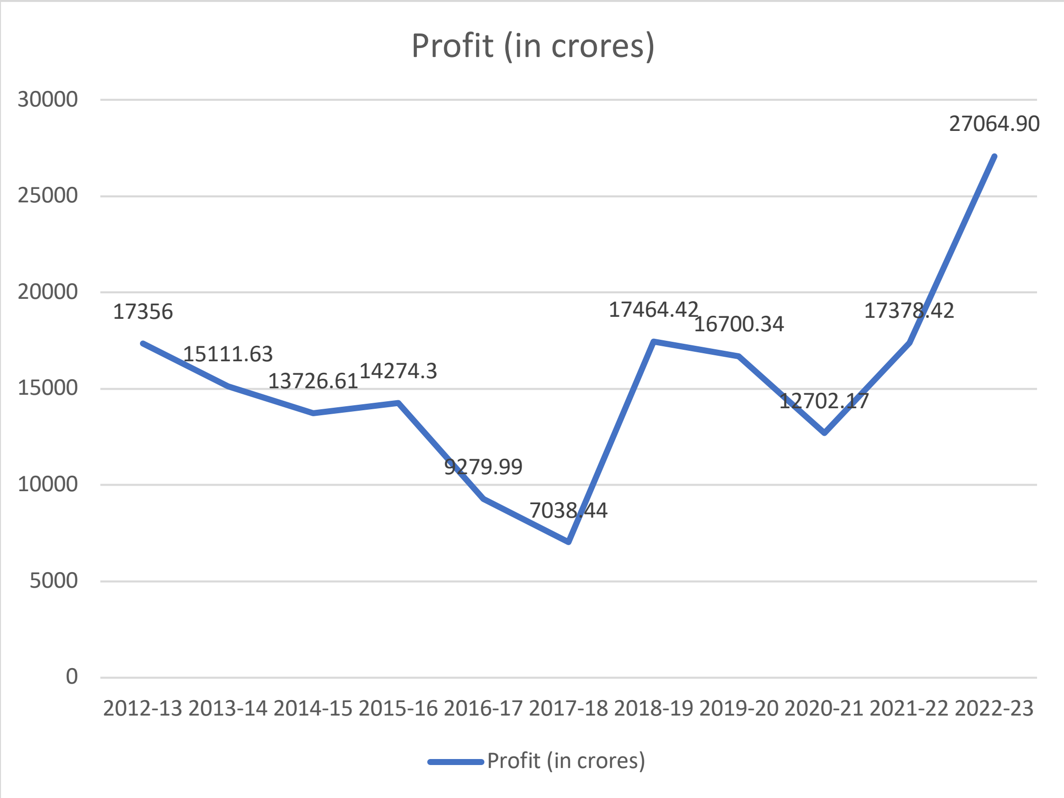
Trend of Coal Production during the Financial Years 2012-13 to 2022-23

It has been observed that total sales in the coal sector were increasing continuously from the FY 2012-13 to 2018-19, registering a growth rate of 89.27%. Thereafter, in the FY 2019-20 and 2020-21, a decline in total sales was seen, i.e., 134979.13 crore tonnes and 126786.13 crores, respectively. The total sales during FY 2021-22 was 152667.14 crore compared to 126786.13 crore earned in the year 2020-21, with an annual growth of 20.41%.



Trend of Coal Sales during the Financial Years 2012-13 to 2022-23

It has been further observed that total profit in the coal sector has decreased continuously from the FY 2012-13 to 2017-18, registering a reduction rate of 59.45%. Thereafter, in the FY 2018-19, a sudden rise in total profit was seen, i.e. Rs. 17464.42 crores as compared to last year registering a total profit of Rs. 7038.44 crores. From FY 2018-19 the net profit earned by CIL has decreased continously till FY 2020-21. Thereafter suddenly in the FY 2021-22 the total profit earned by CIL increased. The total profit during FY 2021-22 was Rs. 17378.42 crore compared to Rs. 12702.17 crore earned in the year 2020-21, with an annual growth of 36.81%.



Trend of Profit during the Financial Years 2012-13 to 2022-23

Disinvestment trend of Public sector enterprises operating in the Coal sector during F.Y. 2013-14 to 2022- 23

Disinvestment trend in the Coal sector during F.Y. 2013-14 to 2022- 23

Year	**% Of shares disinvested**	**Receipts (in Rs. Crores)**	**Method of Disinvestment**
2014-15	10.00	22557.63	OFS
2016-17	1.25	2638.24	BB
2018-19	3.19	5218.3	OFS
2018-19	0.19	1039.71	BB
2018-19	0.01	17.33	Employee OFS

Source: Department of Investment and Public Asset Management, Annual Report, 2022-23

Key Observations:

1. Major Disinvestment Year:

FY **2014–15** witnessed the largest disinvestment—**10%** of shares sold via **OFS**, generating **₹22,557.63 crore**, indicating high investor confidence and strategic fiscal management.

2. Buyback Method Use:

In **2016–17 and 2018–19**, the government adopted the **buyback (BB)** route, which is less disruptive to the market but generates significant receipts (₹2,638.24 crore and ₹1,039.71 crore respectively).

3. Multiple Transactions in FY 2018–19:

Disinvestment in **2018–19** was carried out through **multiple methods**—OFS, Buyback, and Employee OFS—reflecting a diversified approach to maximize proceeds.

4. Overall Trend:

The trend indicates a **gradual and selective reduction in government stake**, using market-friendly instruments while attempting to retain strategic control.

Between FY 2014–15 and FY 2018–19, the disinvestment trend in the coal sector was marked by significant fiscal receipts and strategic dilution of the government's stake in Coal India Limited. The use of varied methods such as **OFS, Buyback, and Employee OFS** suggests a calibrated approach aimed at balancing revenue generation with market stability and employee participation. This trend reflects the government's broader objective of enhancing efficiency, attracting private investment, and strengthening public finance through asset monetization.

Situation 1: Impact on the financial performance of Coal Sector pre and post-disinvestment 2014-15:

	Pre Disinvestment Year 2013-14	**Post Disinvestment Year 2015-16**	**Growth (%)**
Production in a million tonnes	565.64	445.42	-21.25

In the year 2015-16, the actual coal production was 445.42 Million tonnes compared to 426.7 Million tonnes during the year 2014-15 and showed a growth rate of 4.38 percent. When the coal production of 2014-15 is compared to 2013-14, coal production of 565.64 Million tonnes showed a negative growth rate of 24.56%. It was observed that coal production showed an overall negative growth rate of 21.25% when coal production for the year 2015-16 was compared with the year 2013-14.

Situation 2: Impact on the financial performance of Coal Sector pre and post-disinvestment 2016-17:

	Pre Disinvestment Year 2015-16	**Post Disinvestment Year 2017-18**	**Growth (%)**
Production in a million tonnes	445.42	675.40	51.63

In the year 2017-18, the actual coal production was 675.40 million tonnes compared to 453.10 million tonnes during the year 2016-17 and showed a growth rate of 49.06 percent. When the coal production of 2016-17 is compared to 2015-16, coal production of 445.42 Million tonnes showed a growth rate of 1.72%.

It was observed that coal production showed an overall growth rate of 51.63% when coal production of the year 2017-18 was compared with the year 2015-16.

Situation 3: Impact on the financial performance of Coal Sector Pre and post disinvestment 2018-19:

	Pre Disinvestment Year 2017-18	**Post Disinvestment Year 2019-20**	**Growth (%)**
Production in a million tonnes	675.40	729.10	7.95

In the year 2019-20, the actual coal production was 729.10 Million tonnes compared to 453.10 Million tonnes during the year 2018-19 and showed a growth rate of 60.91 percent. When the coal production of 2018-19 is compared to 2017-18, coal production of 675.40 Million tonnes showed a negative growth rate of 32.91%. It was observed that coal production showed an overall growth rate of 7.95% when coal production for the year 2019-20 was compared with the year 2017-18.

Analysis:

Situation 1 (Disinvestment Year: 2014–15)

- A significant disinvestment of **10%** stake via **Offer for Sale (OFS)**.
- **Post-disinvestment production fell by 21.25%**, from **565.64 MT to 445.42 MT**.
- Indicates possible **operational disruptions** or **external market factors**.
- Suggests that large-scale disinvestment may have had a **short-term adverse impact**.

Situation 2 (Disinvestment Year: 2016–17)

- A **modest 1.25% buyback** by the government.
- **Post-disinvestment production surged by 51.63%**, indicating strong recovery or improved efficiency.
- Could reflect **stabilization** after earlier reforms, better management practices, or increased demand.

Situation 3 (Disinvestment Year: 2018–19)

- Multiple methods used: OFS, BB, and Employee OFS (total disinvestment ~3.39%).
- Production **increased modestly by 7.95%**, from **675.40 MT to 729.10 MT**.
- Suggests a **stable and gradually growing sector** with **minimal disruption** from disinvestment activities.

The impact of disinvestment on coal sector performance has **varied over time**, with the most significant disruption seen immediately after the major 2014–15 disinvestment. However, later years show **recovery and resilience**, particularly when disinvestment was conducted in smaller tranches. These findings suggest that while **disinvestment may cause short-term volatility**, its long-term impact can be neutral or positive, provided it's supported by robust institutional, operational, and policy frameworks.

CONCLUSION AND SUGGESTIONS

The ongoing trend of disinvestment in the coal sector represents a transformative phase in India’s economic and energy landscape. Initiated as part of the broader agenda of economic liberalization and fiscal consolidation, disinvestment aims to reduce the government’s direct involvement in commercial enterprises and instead enable private sector efficiency, innovation, and capital infusion. The coal sector, historically dominated by public sector undertakings like Coal India Limited, has been a central focus of this shift. The government's strategy to dilute its stake in such entities reflects an effort to unlock value, increase competitiveness, and make the sector more responsive to global energy market dynamics. This trend also coincides with India’s commitment to energy transition and decarbonization goals, where increased private participation is expected to foster technological advancement, improve resource utilization, and facilitate cleaner and more sustainable mining practices. However, this shift is not without its challenges. Concerns around labor displacement, regional economic imbalances, and the weakening of public accountability mechanisms must be acknowledged and addressed through inclusive policy measures. The social impact of disinvestment, especially in regions heavily dependent on coal for employment and livelihood, necessitates a well-planned and just transition strategy. Moreover, the success of disinvestment in the coal sector hinges on creating a transparent and predictable regulatory framework. There is a pressing need for clear guidelines on mine allocation, environmental compliance, and rehabilitation of affected communities to ensure that private interests align with national development goals. The role of an independent regulator could also become increasingly important to oversee fair competition, prevent monopolistic practices, and uphold environmental and labor standards.

In conclusion, while the disinvestment trend in the coal sector holds the potential to revitalize the industry and align it with contemporary economic and environmental imperatives, its long-term effectiveness will depend on the government’s ability to balance economic efficiency with social responsibility. A strategic, phased, and carefully monitored approach—one that involves all stakeholders including workers, local communities, investors, and policymakers—is essential to ensure that disinvestment contributes not only to economic growth but also to equitable and sustainable development in India.

Suggestions

1) **Ensure Strategic Disinvestment, Not Just Fiscal Disinvestment:** Focus must be made on disinvestment that brings strategic partners with operational expertise and global best practices.This may ensure long-term sectoral efficiency, not just short-term revenue.

2) Strengthen Independent Regulatory Oversight: Setting up an **independent coal regulatory authority** to ensure fair competition and protect stakeholders' interests post-disinvestment. Disinvestment may lead to monopolies or cartelization if not regulated.

3) Promote Transparent and Competitive Bidding Process: Disinvestment and auctions must follow **transparent procedures** with well-defined eligibility and evaluation criteria. Past coal scams and allocation controversies have already harmed public trust.

4) Monitor Post-Disinvestment Performance: Track and evaluate the operational efficiency, compliance, and community impact of divested entities. This may ensure accountability and sustainability of disinvestment outcomes.

5) Phase-Wise and Sector-Specific Disinvestment: Avoid sudden or blanket disinvestment. Instead, **calibrated, phase-wise** disinvestment based on performance and market readiness should be adopted. It helps to prevent market shock and maintains coal supply stability.