

PREFACE

*Nothing is new under the sun, what is new to the globe is the unknown
discovery of innovative process of price discovery from information
asymmetry*

In a bid to have an equitable global economic peace in the global society, characterized by omnipresent digitalised holistic process of globalization, liberalization and privatization accompanied by velocity of reflexive forces of 'minimal state', the gaming of intended strategy for National Development needs Strategic Wisdom by the Government, for radical rethinking and restructuring of an economy to delight citizens and stakeholders. The strategy of privatization schmooses differently in different countries all over the world, including disinvestment in India. The review of international experiences of disinvestment in all its 21 ways and means of disinvestment, it buttresses the fact that diddles of disinvestment are not spergeriatric all over the globe. The staple reasons for the sombre state of affairs, *inter alia*, includes the lack of vision for ological determination of strategy of optimal valuation and pricing of disinvestment. This is also evidenced from the fact that the poor became poorer and the rich became richer, thereby widening the economic gap. It was also alleged that Privatization is just another way for powerful politicians and businessmen to stretch each other's backs, and get rich at the expense of the people. It is undisputed fact that the Government is the largest investor and assets holder, both the net Hard Assets and Soft Assets and is now also the largest divestor in an economy.

Therefore, sub-optimal realisations from the strategy of disinvestment have many long-lasting and pervading effects on the citizens and taxpayers. Sub-optimal realisations from disinvestment have therefore, augmented cost of living in the civilized society may it be in the form of taxes or abated available sops to the masses. This is doubly so due to its cascading, direct and proximate effects on the cash purse

string and eventual knock on effects on the lives of citizens. Therefore, for successful implementation of strategy of disinvestment, the application of combination of both the state of an art and a science, for devising and dovetailing ological strategy of optimal valuation and pricing of disinvestment, *inter alia* to delight all stakeholders is *sine qua non*.

The long history of corporate Finance in general and in particular, the process of price discovery of valuation and pricing, evidences that in the best of the circumstances, the dynamics of process of determination of valuation and pricing may it be for investment or divestment remained complex, incongruous, dysfunctional and fungible. Therefore, the researcher deems it fit, to ologically study the management of disinvestment in general and in particular, the dynamics of process of price discovery in the realised strategy of valuation and pricing of major disinvestment in India, on the subject entitled “ **Pricing of a share of Public Sector Undertaking for Disinvestment in India**”.

The study under reference is divided in to seven chapters. In the first Chapter of ‘Introduction’, genesis, definitions, approaches, strategy, growth by way of revenue from Privatization all over the globe and problems of privatization alongwith rationale, objectives and methodology of the study have been discussed. In the second chapter ‘ Global Disinvestments-an overview’, various techniques of disinvestment all over the globe and selected countries experiences have been discussed. While in the third chapter ‘ Indian Disinvestments- an overview’, silhouette of Indian disinvestment in the decade, since inceptions have been discussed, in the fourth chapter ‘ Theory of Pricing Methods’, the major methods of pricing of a share alongwith its strengths, weaknesses and methodology of deriving economic values of each method of pricing, etc. have been discussed. Based on the scientific analysis of these economic valuation methods, the researcher has selected seven methods of valuation which are widely practiced all over the globe and in India by the acquirers and the divestors and the discovery is christened as ‘**a phenakistoscope**’. The Selected Network of Pricing Methods (SNPM) includes the seven methods of valuation viz. NAV, PECV, FV, NPV, SVA, PEM and MVAA and are presented in the scientific instrument of a

phenakistoscope for taking the dynamic view in the total process of determination of strategy of valuation and pricing. The fifth chapter 'Fundamental comparison of pricing and MISPRICING' is divided in to two sections. In section-I, PSU-wise derived values of selected financial variables and parameters of all 39 PSUs in which major disinvestment have been made and are presented. In section-II based on the methodology discussed, the PSU-wise and disinvestment year-wise derived economic values of a share of PSUs are presented and compared with year-wise disinvestment prices. The research results of tests of parametric (ANOVA) and Descriptive statistics evidence that means of derived values of economic prices of a share based on the Selected Network of Pricing Methods are not equal and therefore, the 'null hypothesis' is rejected. Logical fundamental comparison of disinvestment prices with the derived economic prices based on the Selected Network of Pricing Methods evidences incidents of mispricing. Strong and strategically, economically and statistically significant evidences have been found establishing the incidents of under pricing of all the major Indian disinvestment. Besides, sensitivity analysis of derived economic prices with disinvestment prices, also evidences the strategically significant difference and the existence of phenomena of under pricing, resulting in to colossal loss to scaling Indians and India. In the sixth chapter 'Market comparison of pricing and mispricing' is also carried out. In the section-I, PSU-wise detailed computation of new method of pricing viz. Market Value of All Assets (MVAA) consisting of deriving Market value of net Hard Assets and Soft Assets are furnished alongwith computation of values of Modified Tobin's Q ratio. In the section-II, Market comparison of disinvestment prices with market prices of disinvested PSUs both on the short term basis of 1st day, 15th day and 30th day of first available listing price and the long term basis on a yearly basis are carried out. The research results of descriptive statistics of market comparison evidence incidents of under pricing both, on short term basis as well as on the long term basis except for the disinvestment year 1994-95 on long term basis. In the last chapter 'Conclusion and Suggestions' innovative suggestions for ameliorating the value and the wealth of PSUs in general and in particular, for formulating and implementation of strategy of valuation and pricing for disinvestment have been furnished, *inter alia* to motivate and inspire all the stake holders, not only in

India but all over the globe. At the end alongwith important annexures bibliography on the subject is presented.

To wit, by pursuing this study, the researcher has attempted to discover an instrument of '**a Phenakistoscope**' to view ologically the range of derived economic prices based on Selected Network of Pricing Methods, both by the acquirers and the divestors, in the holistic process of due diligence in the management of strategy of valuation and pricing of disinvestment. Besides, the new method of valuation of a share viz. determination of Market Value of All Assets, comprising the methodology of deriving Market value of Hard Assets and Soft Assets are also furnished to the acquirers and the divestors, *inter alia* to have a new value for negotiations. Moreover, based on the ological review of the process of valuation, a new definition of 'Strategic Valuation' is also furnished by the researcher, in the field of corporate valuation. Therefore, in the canvass of management of Corporate Finance in general and in particular, Corporate valuation, the study may find an innovative and useful place for the all stakeholders, in India as well as in the world, thereby, the mismatch in the global society can be abated, if not eliminated, under the sun.

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