

Uncertainty mars govt divestment plan, again

Centre misses target for second time in 3 years

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Two waves of the pandemic and a market crash on the back of an ongoing war have made “uncertainty” a villain for the Centre’s divestment and privatisation plans. The Centre has missed its revised divestment target for the second time in three years even after slashing the target by 55 per cent to ₹78,000 crore in the Union Budget. The divestment mop-up for FY22 was ₹13,530, which includes ₹2,700 crore received by the Centre for the privatisation of Air India. Besides this, an additional ₹3,000 crore will be realised through the offer for sale of Oil and Natural Gas Corporation (ONGC) on March 31.

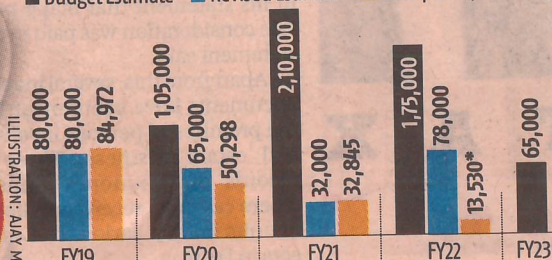
The Union Budget 2022-23 had lowered the divestment receipts from ₹1.75 trillion pegged earlier as its big ticket privatisation plan to sell Bharat Petroleum Corporation Ltd (BPCL) and Shipping Corporation of India (SCI) got delayed as global oil and gas companies increased their focus on energy transition; and movement of shipping vessel delayed due diligence.

Then came the Russia-Ukraine war that tanked markets, making India’s largest and most-watched initial public offering (IPO) of Life Insurance Corporation of India (LIC) impossible. The Centre was expecting at least ₹65,000 crore from the 5 per cent dilution of its shares in the IPO of LIC. With high volatility in the market on the back of geopolitical tensions due to the Russia-Ukraine war,



EYEING THE TARGET

■ Budget Estimate ■ Revised Estimate ■ Receipts (in ₹ crore)



Note: *Excludes ₹3,000 crore from ONGC OFS
Source: Budget documents, DIPAM

the Centre decided to defer the listing in the “best interest of investors”.

The Centre will look at listing the insurer before May 12, after which LIC will have to make fresh filings with the markets regulator. The next year’s disinvestment target has been set at ₹65,000 crore, assuming the completion of the process to privatise BPCL and SCI. With the LIC IPO, the government may be able to comfortably exceed the next year’s target discounting any uncertainty.

For FY22, mop up from divestment came from OFS of NMDC Ltd (about ₹3,653 crore), SUUTI stake sale in Axis Bank (₹3,994 crore), cash component in Air India privatisation (₹2,700 crore), OFS of Housing and Urban Development Corporation (₹720 crore) and Hindustan Copper (₹742 crore), buyback by MOIL (₹394 crore), SUUTI stake sale in Reliance Industries (₹219 crore), and other companies (₹1,107 crore).

The business sentiment will improve as

soon as the Russia-Ukraine war is over, and the government must immediately launch the LIC IPO without any delay, said Sandeep Shah, managing partner at NA Shah & Associates LLP.

“While structuring the privatisation pipeline, the government must ensure that it does not bunch up transactions, especially for the year-end period, to meet the divestment target, Shah said. All transactions should be spaced out throughout the year,” he added.

For stake sales, the government can look at expanding the eligible instruments under the capital gains bond scheme which will help it in seeking a higher valuation for offer for sale transactions, avoid interest and principal payments on bonds and could appropriately provide lock in period, said Shah.

While the Centre has been unable to meet the divestment target, it has been able to garner impressive dividend receipts from public sector companies.