

# Centre plans buybacks, OFS in PSUs for FY23 goal

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The government is looking at buybacks and offer-for-sale (OFS) of central public sector enterprises as potential options to meet the current year's disinvestment target as uncertain market conditions and legal hurdles pose challenges to ongoing privatization transactions.

"All of the ongoing strategic transactions will spill over to the next financial year... buybacks, some OFS where there is room for meeting minimum public shareholding norms, can be considered," a senior official said, asking not to be named.

OFS enables existing company shareholders to sell their shares to the public through an exchange in a fair and transparent manner, while buybacks allow re-purchase by a company of its shares from its shareholders. Buybacks are more feasible since the government received ₹497 crore from only one instance of share buyback by GAIL (India) Ltd last year. CPSE stocks outperformed the Sensex in 2021

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and 2022, as per a Bank of Baroda study on disinvestment.

The current year's disinvestment proceeds have exceeded ₹31,000 crore but remain below the revised target of ₹50,000 crore. This target was lowered from the ₹65,000 crore set in the FY23 budget. The current gap is unlikely to narrow by strategic disinvestments or the sale of all or 50% or more of government shares in central public sector enterprises, along with the transfer of management control. The strategic sale of Bharat Petroleum Corp. Ltd had to be put on hold due to volatile crude prices and the global shift towards green energy. Demergers of Shipping Corp. of India and BEMIL have caused delays in the sale process of the core assets. The government has also put NMDC Steel, HLL Lifecare, and PDIL on the block, but the sales have not progressed.

Mint had reported earlier that the government was



Some PSUs, such as BPCL, are facing delays in sale MINT

forced to abandon the strategic sales of Pawan Hans Ltd and Central Electronics Ltd after several attempts due to legal challenges. In the case of Pawan Hans, the government had not issued the letter of intent, while in the case of Central Electronics, the government had not signed the share purchase agreement with the winning bidder. The strategic sales are unlikely to be revived in either case, officials said, requesting anonymity.

The government's plan to sell its residual 29.5% stake in

Hindustan Zinc Ltd, where Vedanta Resources holds 64.9%, in tranches of about 5-10%, is also unlikely to happen in the near term due to uncertainties. The company's board approved the purchase of Vedanta's global zinc assets for around \$2.9 billion, but the move faced opposition from government officials from the mines ministry, who are part of the board.

The government is set to object to Vedanta's buyout of its global zinc assets in the next shareholders' meeting, where it will highlight concerns about the transaction's related-party nature.

"We will oppose the transaction through the ministry of mines in the AGM/EGM and scuttle the proposal since it is not in the interest of minority shareholders. It's a related-party transaction which requires far more due diligence, but till that time, any plans to disinvest our shareholding cannot move ahead," a second official said, asking not to be named.