Concor disinvestment plan may be delayed indefinitely

Ministry of Railways has not shown interest in the proposed 30.8% stake sale

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The disinvestment of state-run Container Corporation of India (Concor) may be delayed indefinitely because the process has hit inter-ministerial obstacles.

The Ministry of Railways, which is its nodal ministry, is not interested in the proposed 30.8 per cent stake sale because it is of the view that getting a strategic buyer can impact the railways' target of keeping logistics prices in check, said two officials familiar with the development.

Besides, Concor is yet to switch its terminals to the new land-licence fee regime because it fears it could impact its overall operations, which has further complicated the stake sale plan.

Earlier, the Department of Investment and Public Asset management (DIPAM), which deals with the government's privatisation, was expected to come up with expressions of interest (EoI) for Concor in March this year after a prolonged delay. However, it could not do so because it is yet to get approval from the ministries concerned.

"Multiple issues are being raised by the railways, and they require extensive deliberations. The ministries' approvals are required to float an expression, which looks unlikely," said one of the two officials cited above.

HITTING ROADBLOCKS

- In 2019, the Union Cabinet cleared proposal of 30% stake sale in Concor
- Currently, the Centre owns 54.80% in the national transporter

- Railway ministry yet to give green signal for the proposed stake sale
- It says giving up control not in the best of interest for government's logistic policy
- Concor yet to switch any of its container terminals built on railway-owned land to the new LLF regime due to valuation concerns

Typically, it takes 9-12 months to conclude a stake sale after inviting an EoI. In the Concor case, it may get delayed further because of the coming elections, the official added.

To facilitate Concor disinvestment, the Union cabinet had approved the new land-licence fee policy in September last year. However, the state-owned transporter has not switched any of its container terminals built on railway-owned land to the new regime yet, because there is concern over the future of its terminals.

Under the fine print of the policy, Concor can avail itself of the benefit of lower land-licence fee rates only if it surrenders the asset and retains it in a fresh round of open bidding, where it would have the right of first refusal.

But this would mean the risk of losing up to 26 of its 61 terminals, which it operates on railway land, and this could impact Concor's valuation.

"Container freight is one of our key priorities. We don't know how the private owner will handle pricing and what impact it will have on the railways' ambitions under the national logistics policy," the official quoted above said.

DIPAM intended to sell the Concor stake, worth about ₹12,000 crore (according to current market prices), this fiscal year as part of its disinvestment road map.

The Concor share closed at ₹678.20 on the National Stock Exchange on Friday, up 0.60 per cent from the previous closing price.

Since the stake sale in Concor is uncertain this fiscal year, the government has to rely on other major deals, including those of IDBI Bank and Shipping Corporation of India (SCI), to meet the budgetary target of ₹51,000 crore set for FY24.

The IDBI Bank stake sale is going through the Reserve Bank of India's due diligence process and is expected to get financial bids by September. The listing of SCI's land asset company is expected later this month or early next month, which would expedite the process.