

Looming polls, rocky market may dampen strategic sales

Until Sep, government could sell only 3% in Coal India and 5.36% in Rail Vikas Nigam Ltd

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The government's disinvestment plan is likely to crawl for the rest of the year with few strategic sales likely to be completed, and fewer public sector enterprises put up for sale.

Economists and experts said the upcoming general elections next year and market volatility are the key factors which may be impacting investor interest in some of the ongoing disinvestment transactions as well as new ones.

"In the past, too, it has been seen that the pace of disinvestment does tend to be slower just before the elections and, hence, while the target for this year is about the same as was targeted for FY23, we had fallen short last year," said Madan Sabnavis, chief economist at Bank of Baroda.

A senior economist at a ratings agency, however, noted that in FY23 as well, the government had initiated a limited number of strategic sales but was unable to meet its target.

"While elections may have a role to play in keeping potential investors on the fence, the same cannot be said two years in a row. So, it can also be an issue of the quality of assets up for sale which is not getting the desired response," the person said, asking not to be named.

The government's divestment target



Plans to sell the government's stake in IDBI Bank in FY24 are likely to be pushed to the next fiscal.

MINT

of ₹51,000 crore for FY24 is lower than the previous year's original target. The estimates for FY23 had been revised to ₹50,000 crore from an earlier target of ₹65,000 crore.

As of September 2023, the government has been able to garner ₹5,600 crore, primarily from offers to sell a 3% stake in Coal India Ltd and 5.36% in Rail Vikas Nigam Ltd.

Sabnavis noted that the government was likely to face more challenges in subsequent strategic sales since the low-hanging fruits have already been taken. "It becomes more challenging subsequently especially when the government stake has to go at less than

50%," he added.

Strategic sales are where the government gives up its full shareholding in a public sector enterprise and hands over management control to a private player.

Government officials aware of the developments said any new strategic sales that may be of high value or involve a large public sector enterprise (PSE) are also likely to be shelved for later instead of being hived off in the coming months.

"We will only be able to take the PSEs to the market when we think the timing is right. At present, there are several transactions ongoing which are taking

time to culminate. So, we will have to take a call taking all this into account," a senior government official said, asking not to be named.

"As far as divestment is concerned, many things have to be considered and looked into, like regulatory and due diligence processes, before decisions are taken," a second official said, adding that the government was unlikely to achieve the divestment target this year. The government initiated the exercise of appointing an asset valuer last week, which is expected to close by next month.

Queries mailed to the finance ministry did not elicit a response as of Wednesday evening.

During FY24, the Centre intends to sell its stake in IDBI Bank, Shipping Corp. of India Ltd, BEML Ltd and Container Corp. of India Ltd. However, the plan for IDBI Bank is likely to be pushed to the next fiscal, *Mint* reported on 20 August.

Over half-a-dozen strategic disinvestment transactions are ongoing, including the privatization of HLL Lifecare Ltd, Project & Development India Ltd, Ferro Scrap Nigam Ltd, Indian Medicines Pharmaceuticals Corp. Ltd, Rashtriya Ispat Nigam Ltd and NMDC Steel Ltd.

The Centre had planned to privatize Bharat Petroleum Corp. Ltd but abandoned the plans citing weak interest. gulveen.aulakh@livemint.com

₹51k cr

The government's divestment target for FY24

₹5.6k cr

How much the govt has been able to garner as of Sep