Disinvestment target may be slashed 40%

A few offers for sale likely by March

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THE CENTRE MAY aim for a modest disinvestment target of around ₹30,000 crore in 2024-25, 40% lower than the target of ₹51,000 crore for the current financial year, which is set to be missed by 60%, official sources said.

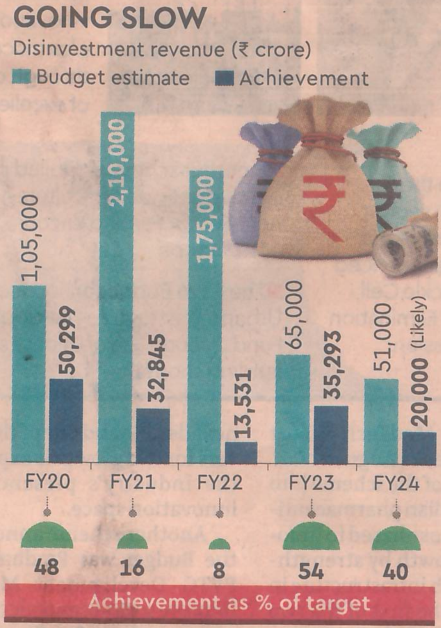
This would represent a progressive lowering of the ambition on this front (see chart), though the sources said the target for the next fiscal is being kept at realistic levels, considering that elections and new government formation would make it difficult to conclude any big-ticket sale in the year even if the process is initiated.

However, there will be last-ditch efforts to bridge the gap between the disinvestment receipts for the current fiscal — ₹10,052 crore so far — and the budget estimate (₹51,000 crore). The plan is to hit the buoyant markets with a few offers for sale, before the year draws to a close.

Non-debt capital inflows through this route could be around ₹20,000 crore or 40% of the target in FY24. The year has seen delays in the execution of most of the strategic disinvestment plans, including that of IDBI Bank, NMDC Steel and Container Corporation (Concor), partly due to a spate of state elections.

According to the sources, a few more OFSes that are to be expected in the January-March quarter are Indian Railway Finance Corporation, NLC India and Mazagon Dock Shipbuilders. These firms are in the pipeline because they haven't met the market regulator's norm that the minimum public shareholding in listed firms should be at least 25%.

Of the transactions that the government could conclude next fiscal are that of the IDBI Bank disinvestment, wherein the Centre and LIC would together sell a 60.72% stake in the bank.



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ON JANUARY 7, the Centre received multiple expressions of interest (EoIs) from domestic and foreign investors for the 60.72% stake in IDBI Bank, which will go to the successful bidder along with management control.

The offer comprises 30.48% from the government (current market value ₹22,700 crore) and 30.24% from LIC, the current promoter.

Another transaction that could materialise at the earliest next fiscal is that of NMDC Steel (NSL), which would fetch at least ₹11,000 crore for the Centre's 50.79% stake.

So far in the current financial year, the government has mobilised disinvestment revenues largely via the OFS route, which enabled incremental sale of stakes in Coal India, Rail Vikas Nigam, SJVN, Ircon International, Housing and Urban Development Corporation (Hudco) and Indian Renewable Energy Development Agency.

Officials said it would be prudent to set a moderate target and overachieve in FY25, than set a higher aim, given the uncertainties involved in market-based transactions.

The government has never met its ambitious disinvestment targets since FY20 (see chart) due to a host of factors, including volatility in the market, obstacles created by administrative ministries and electoral compulsions.

With the government expected to be in election mode after the presentation of the Budget on February 1 and a new government coming in by May end, there are doubts whether initiating and concluding a transaction like Concor would be feasible in FY25.

The proposed disinvestment of a 30.8% stake to a strategic buyer in Concor worth about ₹17,000 crore at the current market prices has been hanging fire since 2019.

The railway ministry's processes in this regard have been slow.

The government's hope of selling a portion of its residual stake in Vedanta-controlled Hindustan Zinc (HZL) worth about ₹39,700 crore at the current market prices was dashed in FY24 due to unilateral announcements by the company's promoter and has doubts have been cast it would take place in FY25 as well. A planned stake sale by the Centre in the company was abandoned the previous year due to promoter Vedanta's plan of a related-party transaction that spooked investor sentiment. On September 29, the HZL board asked the company to explore creating separate legal entities for its zinc and lead, silver and recycling.

In FY25, the government could also conclude a few small-ticket strategic sales, including Shipping Corporation. Some OFSes will also likely be included in the transactions next year.