

10 PSU IPOs likely in FY18

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New Delhi, Feb 26: After a drought of initial public offers (IPOs) by PSUs in the last five years, the government has identified 10 state-owned firms including GIC Re, New India Assurance, IRFC and HAL for listing in 2017-

₹15,720 cr

Estimated proceeds from 10 IPOs planned for 2017-18

₹72,500 cr

Total disinvestment target for next fiscal year



18. Together, these offers are estimated to fetch ₹15,700 crore or 22% of the disinvestment revenue target of ₹72,500 crore for the year.

The last PSU IPO was in March 2012 when the government sold 10% stake in National Buildings Construction Corporation for ₹125 crore. According to available data, out of 157 profitable PSUs in FY15, 119 were yet to be listed on stock exchanges.

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The next IPO is likely to be that of the Hudco in March, a 10% stake sale that could mobilise about Rs 1,000 crore.

"There will be significant action on listing of PSUs in 2017-18," a senior official told FE. Listing of General Insurance Corporation (GIC Re) would be the biggest PSU IPO in 2017-18. A 10% government stake sale in the re-insurer could fetch it about Rs 5,500 crore. Also, sale of a similar stake

in New India Assurance could generate Rs 4,000 crore. The budget for 2017-18 has estimated listing of the general insurance companies could fetch Rs 11,000 crore.

Listing of three PSUs under railways could generate about Rs 2,900 crore, bulk of which could come from a 15% stake sale in the dedicated market borrowing arm of the railways - Indian Railway Finance Corporation (IRFC). The department of investment and public asset management (DIPAM) has already initiated steps to appoint merchant bankers for IRFC, IRCTC and IRCON listings. Listing of military plane maker Hindustan Aeronautics Ltd, which has been hanging-fire since 2011, could also finally go through next year. The government

will sell a 10% stake HAL to raise nearly 1,600 crore. Similarly, Cochin Shipyard is also in advanced stage of preparation to launch its IPO next year.

With listing of central PSUs virtually coming to a standstill due to reasons varying from indecisiveness of administrative ministries to market volatility, the government has now set itself stiff time-bound targets for listing of Central PSUs. According to the procedures outlined by the DIPAM on February 17, a profitable PSU would have to list on the stock exchanges within 165 days, after the administrative ministry is on-board for the plan.

Besides improving the corporate governance, IPOs are part of the government's annual disinvestment programme to generate revenues to fund development projects. The government has set 2017-18 divestment target at Rs 72,500 crore, a 60% jump from the revised estimate of Rs 45,500 crore for the current financial year. Apart from PSU listing, sale of the government's SUUTI stakes and further pruning of Centre's stakes in certain big PSUs like ONGC and BHEL, buybacks of shares by PSUs and a proposed new PSU ETF are expected to boost the disinvestment revenue next year.

PSU IPO pipeline for 2017-18

Expected proceeds (₹ crore)

Divestment (%)

Company	Expected proceeds (₹ crore)	Divestment (%)
GIC Re	5,500	10
New India Assurance	4,000	10
IRFC	2,000	15
Hindustan Aeronautics	1,600	10
IRCON	700	15
United India Insurance	700	10
National Insurance	500	10
Oriental Insurance	300	10
Cochin Shipyard	250	10
IRCTC	170	25

#In some cases, IPO's size could vary a bit depending on the market appetite