FY18 DISINVESTMENT

Stake sales may cross target, for a change

Sale of HPCL stake to ONGC a windfall, Bharat-22 ETF and GIC IPO to help too; proceeds could be higher if other plans pan out

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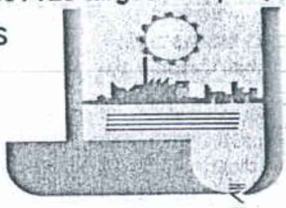
HOME, FINALLY

Centre's FY18 divestment revenue* (₹ crore)

19,760	33,970^	~9,800	~10,000
Already mobilised by stake sales in a dozen firms, PSUs & private	Likely proceeds from sale of govt's entire stake in HPCL to ONGC	GIC IPO mop-up this week	Likely receipts from Bharat 22 ETF

TOTAL: ~73,500 (versus FY18 target of 72,500)

ADDITIONAL AVENUES



~21,500
OFS issues announced for 7 PSUs including IOC, NHPC and Oil India

~ 10,000
About **10** IPOs on the anvil including New India Assurance and HAL

- Portions of residual Suuti stakes in some 50-odd companies including ITC, L&T and Axis Bank could be tapped
- Strategic sale of some of the 16 PSUs identified as well as buybacks by some PSUs

* On the basis of funds collected, announced plans and the market caps/valuation of firms concerned; ^as per Tuesday's prices

THE CENTRE STARTED the practice of keeping annual disinvestment targets seven years ago, but hasn't met these in any year since; the trend, however, will be bucked this year. If the transactions already initiated and the plans laid out sufficiently early in the year materialise — in all probability they would — the budgeted disinvestment revenue will be easily met if not surpassed in FY18.

FE has computed the revenue from sale of government stake in companies in the current year to be upwards of ₹73,000 crore as against the budget estimate of ₹72,500 crore (see chart).

A windfall from the planned sale of the government's entire equity stake in oil refiner/marketer HPCL to state-run explorer ONGC is the primary reason the overall disinvestment target looks set to be achieved this fiscal without mush hassle. A handsome amount of ₹34,000 crore will reach the coffers due to this transaction alone while the reinsurer GIC Re's initial public offering (IPO) will fetch around ₹10,000 crore. A new diversified, 22-stocks exchange-traded fund (Bharat 22) is sure to do well and garner at least ₹10,000 crore.

Already, the government has got ₹19,760 crore from stake sales in a clutch of companies — public and private — this year.

In fact, sources said, the disinvestment proceeds this year could be much higher if other plans too fructify. Plans for offers for sale in seven PSUs including IOC, NHPC and Oil India have already been announced. Besides, as many as 10 IPOs are on the cards including those of New India Assurance (₹6,000 crore) and HAL.

The confidence in disinvestment halfway through the year gives a big relief to the Centre staring at a potential shortfall in non-tax revenues of about ₹40,000 crore due to a gap in budgeted amounts and receipts from the Reserve Bank of India and telecom firms.

Though tax collections are so far broadly in line with budget target, clarity is still to emerge on how revenue-neutral the goods and services tax is. The series of rate revisions after the new tax was introduced in July imply forgoing some revenue. The cut in excise duty on diesel and petrol will make the exchequer poorer by ₹13,000 crore in the second half of the current fiscal.

With economy slowing down and private investments in the doldrums, the Centre has little room to cut spending. While central PSUs will give a helping hand, budget spending also needs to be sustained, even though initial few months' staggering pace could be calibrated in the following months of the year. Scope for larger-than-budgeted disinvestment proceeds is vital in this context.