LIC's ₹31,000-crore OFS to help govt achieve three-fourths of its FY27 disinvestment target

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The Centre's proposed sale of up to a 6.5% stake in Life Insurance Corporation of India (LIC), expected to fetch around ₹31,000 crore, could accelerate the government's disinvestment programme and put it well on track to achieve its ambitious ₹80,000-crore target for FY27.

If the entire offer for sale (OFS), including the 4% greenshoe option, is fully subscribed, the government's disinvestment receipts would rise from the current ₹20,272 crore to about ₹51,272 crore, taking it beyond the halfway mark of its annual target within the first four months of the financial year.

The ₹31,000-crore LIC OFS, which opened for institutional investors on Tuesday and will be available for retail investors on Wednesday, is set to become one of the Centre's largest stake sales in recent years.

Including ₹6,367 crore raised through asset monetisation, the government's total capital receipts from disinvestment and monetisation initiatives would rise to nearly ₹57,639 crore, or about 72% of the FY27 Budget target.

Raises ₹20,272 cr via OFS in seven PSUs in FY27

The LIC transaction would also cap an exceptionally active year for PSU stake sales. So far in FY27, the government has mobilised ₹20,272 crore through stake sales in seven public sector undertakings (PSUs) and remittances from the Specified Undertaking of the Unit Trust of India (SUUTI), achieving nearly one-fourth of its annual disinvestment target within the first few months of the fiscal year.

The stake sales include Central Bank of India, Coal India, NHPC, NLC India, General Insurance Corporation of India (GIC Re), Indian Railway Finance Corporation (IRFC), and Cochin Shipyard.

The largest contribution came from Coal India, where the government raised ₹5,000 crore by selling a 2% stake in May. This was followed by NHPC, which fetched ₹4,357 crore through a 3% OFS; GIC Re, which raised ₹3,090 crore via a 2% stake sale; Central Bank of India, which garnered

₹2,455 crore through a 4% dilution; IRFC, which mobilised ₹2,084 crore by selling a 1% stake; and NLC India, which raised ₹1,260 crore through a 2% OFS. Last month, the Centre also raised ₹1,856 crore by offloading a 2.52% stake in Cochin Shipyard.

FY27 on track to record the highest OFS collections since 2015

With the addition of LIC's estimated ₹31,000 crore, total fundraising through PSU OFSs would climb to about ₹49,246 crore, making FY27 the biggest year for OFS-based disinvestment since at least 2015.

According to Prime Database, the government had raised about ₹35,291 crore through PSU OFSs in 2015. Fundraising subsequently fell to ₹12,726 crore in 2016, ₹14,761 crore in 2017, ₹6,432 crore in 2018, ₹6,920 crore in 2019 and ₹10,555 crore in 2020, before recovering to ₹18,461 crore in 2021. Collections eased to ₹9,646 crore in 2022, improved to ₹10,883 crore in 2023 and ₹12,381 crore in 2024, and slipped to ₹7,686.5 crore in 2025.

The government's accelerated disinvestment drive comes at a time when pressure on the fiscal position has intensified. Elevated global crude oil prices amid geopolitical tensions in West Asia have increased subsidy commitments, particularly for fertilisers and fuel, prompting the Centre to rely more on non-tax revenue sources such as stake sales and asset monetisation while adhering to its fiscal deficit target of 4.3%.

The Union Budget for FY27 has pegged disinvestment receipts at ₹80,000 crore, sharply higher than the revised estimate of ₹33,800 crore for FY26. The target represents an increase of nearly 136%, signalling the government's renewed focus on strategic divestments and asset monetisation after several years of falling short of budgeted goals.

With the strategic sale of IDBI Bank also gathering pace, the Centre appears well placed not only to meet but potentially surpass its ₹80,000-crore disinvestment target for FY27.