

Govt speeds up divestment plans on upbeat sentiment

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New Delhi, 22 September

Government officials had been privately grumbling that the subdued market sentiment was an added hindrance to the divestment plans for 2019-20. Now with the market looking up after Finance Minister Nirmala Sitharaman announced a reduction in corporate tax rates, the Department of Investment and Public Asset Management (Dipam) is lining up a glut of initial public offerings (IPOs) and offer for sales, *Business Standard* has learnt.

Sources also said the prevailing market sentiment, if it holds, would be conducive to the Centre's strategic sale and asset monetisation. The first of these could be the long-term leasing out of the marquee Ashok Hotel in New Delhi to a private player.

"Generally, business is so much about expectations, that in case investors feel that the economy is going to do well, then they will invest. If the sentiment is depressive, then nobody wants to put in money. The current sentiment is definitely an opportunity for us," said a senior official aware of the Centre's plans.

Investors on Friday lapped up shares on optimism that the lower corporation tax rate would boost corporate earnings and the economy. The benchmark indices Sensex and Nifty rose more than 5 per cent each — their biggest single-day stride since May 2009 — even as bond yields soared on worries that the move would widen the fiscal deficit and increase inflationary pressure.

The Sensex rallied 1,922 points, or 5.3 per cent, to end at 38,015, while the Nifty surged 569 points, or 5.3 per cent, to close at 11,274.2 — recovering from a 3.4 per cent loss



ON THE CARDS

- At least 10 IPOs and a number of OFs being planned
- Officials say turnaround in sentiment will be conducive for divestment plans
- Dipam to pick up pace on strategic sale and asset monetisation
- IRCTC IPO soon, government firming plans to lease out Ashok Hotel

for the week, to end with a 2 per cent gain. A day earlier, both indices had hit their seven-month lows, as investors fretted over slowing economic growth.

Some of the state-owned companies lined up for IPOs this year are IRCTC, THDC India, Railtel, Mazagon Dock Shipbuilders, Goa Shipyard, Hindustan Shipyard, Neepco, TCIL, Water & Power Consultancy Services, and FCI Aravali Gypsum and Minerals India. The first of these could be IRCTC, which has already filed its red herring prospectus late last month.

Some of other issues being planned include offer-for-sale (OFS) of IRCON and follow-on public offering Kudremukh Iron Ore. There will be other OFSs as the Centre

looks to reduce its stake in some PSUs to below 51 per cent, while still maintaining the largest ownership.

The government's two ETFs — Bharat 22 and CPSE ETF — are also expected to see greater interest. So far this year, Dipam has garnered ₹12,357 crore in divestment proceeds, of which about ₹11,000 crore has come from a follow-on offering of CPSE ETF.

This means that with less than six and a half months remaining, the government has to garner around ₹92,600 crore to meet its 2019-20 budgeted target of ₹1.05 trillion. Up next is a ₹5,000-crore follow-on offering of Bharat 22, to be followed by further offerings of the two ETFs.

The single biggest chunk of divestment proceeds is expected to come from privatisation (strategic sale), asset monetisation, and a possible mega-merger among PSUs. The government is learnt to be finalising modalities of a long-term lease of Hotel Ashok, which is ITDC's flagship property.

As reported earlier, the centre is looking to divest its entire 53.29 per cent stake in Bharat Petroleum, currently valued at more than ₹46,000 crore. Indian Oil could be the possible buyer.

Other strategic sale plans include Air India, Pawan Hans, Scooters India, three plants of Sail, Kamraj Port, a unit of Cement Corporation of India, among others. Dipam is also setting up a panel of transaction advisors to monetise land and other assets of PSUs.

"We will have to see for a while if the market sentiment helps our monetisation plans. Markets can be volatile. They are very exuberant and then they go into a funk. We will have to wait and watch," the official quoted above said.