PSU disinvestment may fetch Centre ₹7.7 trillion

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The disinvestment proceeds for the Centre may come in at about ₹7.7 trillion, if it decides to exit the 51 listed public sector undertakings (PSUs) operating in non-strategic sectors such as oil marketing, steel, railways, shipping, coal mining, and energy, showed an analysis by brokerage firm Nirmal Bang.

This is much higher than the government's disinvestment target of ₹1.05 trillion for FY20. Analysts say the huge divestment potential can help the government generate large sums of revenue for the foreseeable future.

However, merchant bankers say the government needs to look for strategic buyers in these firms to realise optimum valuations of its holdings, instead of selling its stake in the open market.

"The market does not have the kind of liquidity to absorb selling of such large holdings. This could lead to price distortion as well. Further, PSUs are operating in varied sectors and some of these are not doing so well. So, selling it to a strategic buyer is likely to fetch optimum valuations," said Pranjal Srivastava, an independent capital market professional.

Further, the analysis showed that if the government decided to cede control but retain a sizeable stake, it could fetch ₹4.4 trillion by diluting its stake to 26 per cent. If the government seeks to retain control and maintain 51 per cent stake, the revenue for the exchequer would stand at ₹1.3 trillion.

Recently, Bharat Petroleum Corporation (BPCL) received the go-ahead from the government to look for strategic buyers, with the former looking to exit the company.

At its current market capitalisation of ₹1.13 trillion, the Centre's 53.29 per cent stake in BPCL is valued at ₹60,539 crore.

While the deal is expected to be closed by March next year, analysts say that getting strategic buyers is likely to be a long-drawn process.

The brokerage report pointed out that reducing stake to 51 per cent in listed PSU banks and government-owned insurance companies is likely to bring in ₹1,400 crore to the government's kitty.

Stake sale in unlisted in PSUs as well as the Specified Undertaking of Unit Trust of India, or SUUTI, can lead to ₹2,000 crore in receipts for the government.

CASH PILE

The government is likely to clock in huge revenue in case it decides to sell its stake in these PSUs

Revenue from monetisation of government stake (₹ trillion)

PSUs	Full exit	Reduced to 51%	Reduced to 26%
ONGC	1.12	0.21	0.66
IOC	0.69	0.0067	0.34
Coal India	0.87	0.23	0.54
NTPC	0.65	0.042	0.34
BPCL	0.59	0.025	0.3
Power Grid	0.57	0.045	0.3

Source: Nirmal Bang Institutional Equities Research