

Govt mulls cutting stake in Indian Oil to below 51%

SIDDHARTHA SINGH &
DEBJIT CHAKRABORTY
New Delhi, November 14

THE GOVERNMENT PLANS to reduce its stake in Indian Oil Corp to below 51% while ensuring that it and state-run companies retain control of the nation's largest oil refiner, people with knowledge of the matter said.

The Union Cabinet will consider, as early as next week, a proposal to sell shares in some companies, including Indian Oil, to below 51%, sources said, asking not to be identified as the plan is not public. The government directly holds 51.5% in Indian Oil and another 25.9% through state-run Life Insurance Corp of India, and explorers Oil & Natural Gas Corp and Oil India.

Sluggish revenue collections has left the government with little choice but to push ahead with a plan to raise a record ₹1.05 lakh crore (\$14.6 billion) through asset sales in the financial year through March. A slippage will put the government's goal of capping its Budget deficit at 3.3% of the GDP at risk, and prompt rating companies to put India's credit score on a path for a downgrade to junk.

The government can sell as much as 26.4% its holding in Indian Oil – valued at



about ₹33,000 crore – and still retain indirect control. Finance ministry spokesman Rajesh Malhotra could not be immediately reached for a comment.

The government is likely to start selling shares in Indian Oil through an exchange-traded fund in January, according to sources. A group of ministers is also expected to take up other crucial proposals such as privatisation of Bharat Petroleum Corp, Shipping Corp of India and Container Corp of India, they said.

Finance minister Nirmala Sitharaman, in her Budget speech, announced plan to lower direct holdings in some state-run companies below 51% on a "case-to-case basis." The government later identified the biggest energy companies such as Indian

Oil, ONGC, NTPC and Gail as probable candidates for such reductions.

Shares of Indian Oil surged more than 6%, reversing losses. It ended 2.32% higher at ₹136.95 on the BSE.

"This move will only benefit the government," said Deven Choksey, managing director of Mumbai-based wealth manager and brokerage KR Choksey Shares and Securities. "This won't add any value for retail investors or the company."

Indian Oil, along with its unit Chennai Petroleum Corp, operates 11 refineries, controlling more than 35% of the nation's total crude oil processing capacity.

It's also India's biggest fuel retailer, owning about half the country's refilling stations.

BLOOMBERG