

'Prestige' over profit as Deloitte offers to manage BPCL sale for ₹1

SHINE JACOB
New Delhi, 3 December

In the country's largest strategic disinvestment, the transaction advisor is taking a mere ₹1 for its services.

Deloitte Touche Tohmatsu India has quoted ₹1 to manage the sale of Bharat Petroleum Corporation (BPCL), which is likely to fetch the government ₹70,000-80,000 crore.

According to three persons in the know, SBI Caps was the second-lowest bidder with a quote in the range of ₹15-17 crore. Both Deloitte and SBI Caps did not respond to emailed queries. "For Deloitte, this may be a prestigious deal and will add to its portfolio a national energy company," said one of the persons.

The government has set a 50-day timeline for asset valuation to happen in BPCL, as it wants to complete the process before March 31, 2020.

On November 28, both Deloitte and SBI Caps had made presentations before the Department of Investment and Public Asset Management, after which the former was selected as the successful bidder.

Deloitte is tipped to have quoted a similar amount for Container Corporation of India (Concor) as well.

The trend for near-zero bids by

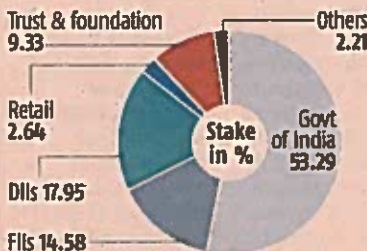


investment bankers started with the ₹15,000-crore initial public offering (IPO) of Coal India (CIL) a decade ago. Citibank had quoted a very low share and the other five bidders, too, had to match it to be part of the IPO, India's biggest till date.

A former CIL official said only

THE SHARE PIE

BPCL shareholding pattern as of September 30, 2019



THE BIG BET

₹1.05 tm: Total divestment target for 2019-20

₹17,364 cr: Divestment so far

₹70,000-80,000 cr: BPCL deal value, including 20-30% premium

₹1,500 was paid to the advisors, while they had to arrange the entire process, including roadshows in 14 cities across the world.

"They don't look at the cash money they earn for the job and see it as a prestigious move. Deloitte might not have been sure how the next bidder

would quote and could have gone for a notional token figure to get their name associated with this," said Partha Bhattacharya, who was chairman of CIL during the IPO.

Another instance of aggressive bid was when JM Financial quoted only ₹1 for Oil and Natural Gas Corporation's purchase of Hindustan Petroleum Corporation.

One major challenge before Deloitte now is the deadline itself. According to industry sources, an expression of interest for the sale might be floated simultaneously with the valuation process in order to speed up the process.

Based on the current market capitalisation, the government stake of 53.29 per cent is expected to be over ₹57,000 crore and a premium of around 20-30 per cent is expected to take the deal value to over ₹70,000 crore.

The BPCL deal is considered to be vital for meeting the current financial year's disinvestment target of ₹1.05 trillion. So far, the government has obtained only ₹17,364 crore through disinvestment transactions in 2019-20. For BPCL, oil industry majors like Saudi Aramco, Reliance Industries, Total and Exxon Mobil are expected to bid.