

Govt hopes to hit bull's eye on divestment target

BPCL to garner bulk of proceeds; Air India sale may happen next year

ARUP ROYCHOUDHURY

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The government is confident of meeting the steep 2019-20 disinvestment target of ₹1.05 trillion, even without the Air India sale this year. *Business Standard* has learnt from a top government official that the Centre is open to the idea of Air India's stake sale being completed in the next financial year. However, the disinvestment of Bharat Petroleum Corporation (BPCL) will likely be completed before March 31, and it will form the bulk of the proceeds, the official said.

"Because of the complexities involving the Air India privatisation proposal, including the debt component, and because of the state of the aviation industry, the deal will take time. It will not be completed in time to

STATUS CHECK

- **Air India deal involves complexities;** aviation industry not in best shape
- **BPCL attractive proposition,** could be completed before Mar 31
- **Deal likely to carry a 20-30% premium**
- **BPCL, Shipping Corp, Concor, THDC, NEEPCO deals** could carry the Centre through
- **Further tranches of ETFs, some OFSS** on the cards



be counted in this year's proceeds," the official said, adding that even though Air India's expression of interest would be out by end-December, the deal would take time to fructify. "The aviation industry, just like telecom, isn't in the best of health."

The official said the BPCL deal could be finalised in 2019-20. "It is an

attractive proposition and will be a relatively simple deal to execute. It can be completed before March 31," the person said.

The official said that even without Air India, the Centre was likely to meet its target for the year.

Last month, the Cabinet cleared the sale of the government's entire 53.29

per cent stake in BPCL. The privatisation plan excludes BPCL's 61.65 per cent stake in Numaligarh Refinery in Assam.

Government and oil industry officials, as well as sector analysts, are confident that the stake can be sold at a premium of 20-30 per cent, given its strong fundamentals, oil-marketing network, and the attractiveness of other core businesses like refining, pipeline, and petrochemicals. BPCL's investments also include stakes in Indraprastha Gas, Petronet, and Oil India. Companies like Saudi Aramco, Reliance Industries, Total, and Exxon Mobil are expected to be keen on BPCL.

As of Friday's closing price, the Centre's stake in BPCL is valued at a little more than ₹56,000 crore. A premium of 30 per cent at that price could take the deal value to around 75,000 crore.

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That will be around 71 per cent of the total divestment target this year, which is the highest ever given to the Department of Investment and Public Asset Management. DIPAM has garnered ₹17,264.26 crore this year so far.

Apart from BPCL, the Cabinet last month approved the strategic disinvestment of the Centre's entire stake in Shipping Corp, THDC India, and NEEPCO, and most of its stake in Container Corp, while giving up management control in these companies. It also gave an in-principle approval for the government to reduce stake in certain state-owned companies to below 51 per cent while retaining majority stake and thus management control.

The Centre's 74.23 per cent stake in THDC and 100 per cent stake in NEEPCO will

be sold to NTPC. Internal estimates suggest the NTPC's acquisition of the centre's stake in two companies could be worth around ₹8,000 crore.

The Centre's decision to reduce stake in certain companies to below 51 per cent and still retain management control and hence classify them as state-owned companies will lead to further tranches of the Bharat 22 and CPSE exchange traded funds.

It could also lead to offer-for-sales through exchanges, of the shares that the Centre holds in companies in which it has a stake of below 60 per cent. These include Indian Oil (current government stake 51.5 per cent), NTPC (54.50 per cent), Bharat Electronics (58.83 per cent), BEML (54.03 per cent), Engineers India (52 per cent), GAIL India (52.66 per cent) and National Aluminum (52 per cent).