

Divestment: All about showing intent

With ambitious FY21 target of ₹2.1 trn unlikely to be met, govt to push through LIC IPO, privatisation of BPCL or Concor

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The FY21 target of ₹2.1-trillion disinvestment is unlikely to be met because of the the severe economic slowdown caused by the pandemics.

However, the Centre is trying to push some big-ticket stake sales as a show of intent.

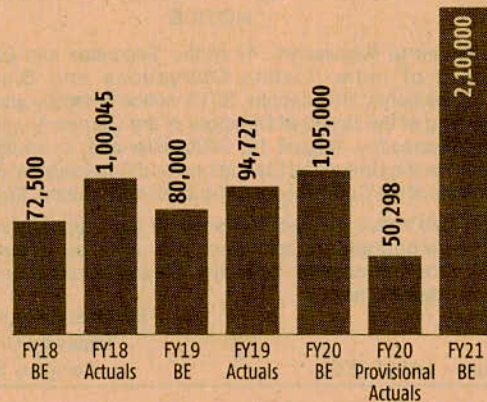
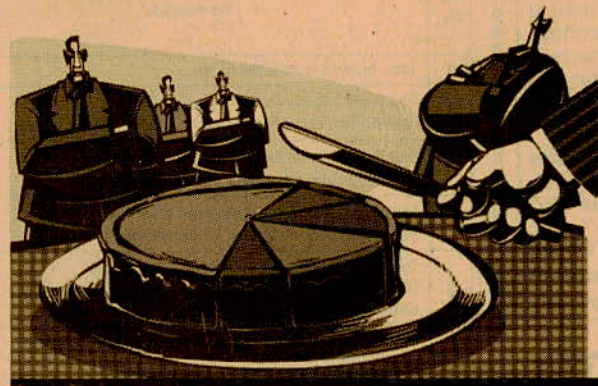
The ones officials are cautiously confident about carrying out in the second half of the year include the initial public offering of Life Insurance Corporation of India and the privatisation of either Bharat Petroleum Corporation (BPCL) or Concor.

Before the slowdown and after the Union Budget was presented, officials in Department of Investment and Public Asset Management (Dipam) had a clear plan: While there will be initial public offerings, offer for sales, and further tranches of the two exchange-traded funds (ETFs) — Bharat 22 ETF and CPSE ETF — the bulk of the target will be met by the planned privatisation of four state-owned companies.

These are BPCL, Concor, Air India, and Shipping Corp of India. There were smaller strategic sales planned, including those of Central Electronics

STATE OF DIVESTMENT

Figures in ₹crore



Source: indiabudget.gov.in

and Project and Development India.

Official sources have confirmed that the much-delayed Air India privatisation is unlikely this year too, because the aviation industry has been one of the worst hit due to the pandemic, and is unlikely to recover to pre-Covid levels soon.

On the other hand, even the roadshows for Shipping Corp have not taken place, and could be delayed further. "The international and domestic roadshows of BPCL and Concor had been conducted, fortunately, before the lockdown, and we have received a

lot of interest for them," said a senior government official.

"So far till July-end we have not seen much action on the divestment front. But in the second half, once conditions improve a little more, we will do as many transactions as can be done. We are ready," the official said.

Dipam hopes that at least one IPO, that of IRFC, can be done in the first half. Of the ₹2.1 trillion divestment target, ₹90,000 crore is expected to come from "disinvestment of government stake in public sector banks and financial institutions". Almost all of

this was expected to come from the LIC IPO.

While LIC is the biggest market issue being planned for this year, some other IPOs and OFSs — apart from IRFC — being planned include Garden Reach Shipbuilders (OFS), MIDHANI (OFS), Telecommunications Consultants India (IPO), Hindustan Aeronautics (OFS), and Bharat Dynamics (OFS).

"They (Dipam) will try and push, but the market may not be positive for general disinvestment right now. Strategic sales would work better,"

said D K Srivastava, chief policy advisor with EY in India. "I think the ₹2.1 trillion was overambitious to begin with," Srivastava added.

Ultimately though, Dipam will be judged, in this highly challenging year, by the strategic sales it may or may not be able to carry out.

Just last week, Dipam Secretary Tuhin Kanta Pandey had said at a public event that completing existing privatisation plans remained a priority for the government, even though the pandemic had slowed things down.

"Strategic disinvestment is a long-term commitment of investors and requires deep engagement. Normally it takes eight-nine months. To a great extent, Covid has put a brake on this because international travel has virtually stopped. To some extent we have to grant an extension to some of the expressions of interest (EOIs) that we have issued. It is not that the investors are not engaged, but they want more time. Because one thing which is not open yet is international travel," Pandey had said. While the last date of EOI for BPCL has been extended yet again to September 30, in the case of Concor it has not yet been issued. The official quoted above said that it was expected to be issued soon.