

HAL kicks off divestment drive

₹5,000-cr share sale oversubscribed, receives bids for 42.6 mn shares, against 40.13 mn on offer

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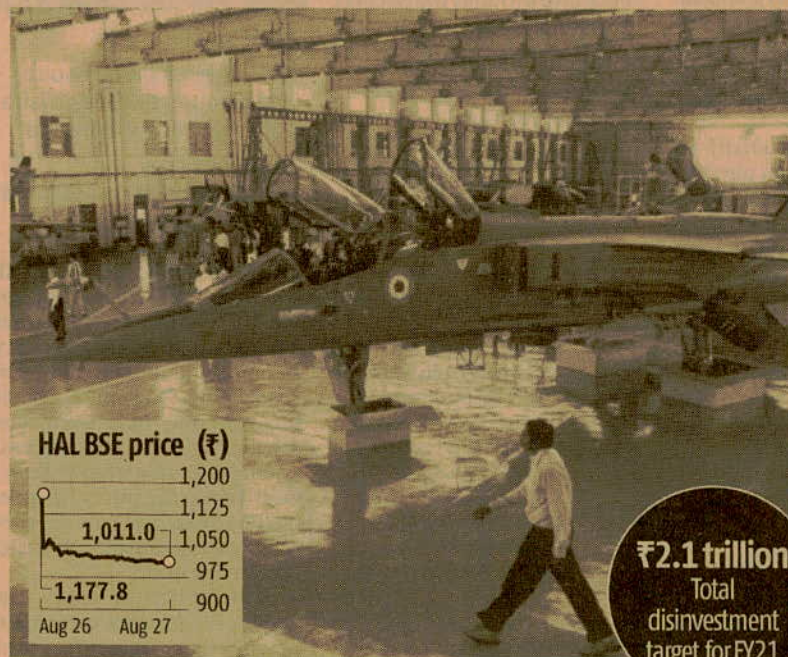
The government kicked off the 2020-21 disinvestment programme with defence company Hindustan Aeronautics (HAL's) ₹5,000-crore offer for sale (OFS) on Thursday, which saw oversubscription in the institutional investor segment with bids for 42.6 million shares as against 40.13 million on offer.

About ₹4,257 crore worth of bids have been received so far and the Centre will hope that retail investors — those investing up to ₹2 lakh — will place bids worth at least ₹750 crore. About 10 million shares reserved for retail investors will be auctioned on Friday.

The base price for the OFS has been set at ₹1,001 per share, a discount of 15 per cent over Wednesday's close of ₹1,178. The stock, however, fell 14.2 per cent on Thursday to end at ₹1,011 per share as traders mounted arbitrage bets.

Experts said many investors could have sold the stock in the secondary market — either from their own holdings or by borrowing through the stock-lending mechanism — and applied in the OFS to pocket arbitrage gains.

After the latest fall, the secondary



market price has almost converged with the floor price of the OFS. Retail investors can still look to pocket some gains as the government is offering an additional discount of 5 per cent to them.

The names of the investors who

applied in the OFS couldn't immediately be ascertained. Market players said Life Insurance Corporation (LIC) of India is likely to have placed bids.

Experts said the government timed the HAL share sale well. The

OFFER DETAILS

Total shares on offer
50.16 mn (₹5,000 cr)

Non-retail book
40.13 million
(₹4,000 crore)

Retail book
10.03 million (₹1,000 crore)

15.0% Stake dilution

89.97% Current stake

74.97% After OFS

order backlog of ₹52,000 crore, which is expected to grow substantially over the next few years as the company is likely to get many new orders in the coming years, including orders for 83 light combat aircraft will go for Cabinet approval very soon. The company also has other projects in the pipeline, including light utility helicopter. These projects will ensure constant order flow and we are positive on the future outlook of the company," said Jyoti Roy, an equity strategist at Angel Broking.

Currently, the government owns 89.97 per cent in HAL. If the retail portion garners adequate subscription, the stake will come down by 15 percentage points to below 75 per cent, making HAL compliant with the minimum public shareholding norms.

HAL is the first major disinvestment carried out by the government in the current financial year, for which it has set an ambitious target of ₹2.1 trillion. Indian Railway Catering and Tourism Corporation is likely to be the next candidate. The Centre is in the process of hiring investment banks to pare holdings in the company. Whether the Centre is able to achieve this financial year's target hinges on LIC's initial public offering.

stock has more than doubled from its March lows amid strong buying momentum in defence stocks. The Street is optimistic that firms like HAL will see an improvement in order book.

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