

# Strategic sale of Hind Copper on the cards

Govt also asks 8 PSUs to go for share buybacks

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The Union government may look at the strategic sale of Hindustan Copper Ltd, even as it has asked about eight public sector firms to go for share buybacks, in a bid to come closer to the ambitious disinvestment target of ₹2.1 trillion for 2020-21.

NITI Aayog Vice-Chairman Rajiv Kumar is set to chair a meeting on October 27 to discuss the possibility of strategic disinvestment of Hindustan Copper, according to a document reviewed by Business Standard. The NITI Aayog makes recommendations on strategic sales of state-owned units to the government.

Besides, the government will revive old strategic sale plans to mop up revenues. It will invite expressions of interest (EOIs) for the sale of a 26 per cent stake in BEML next month, along with transfer of management control, a senior finance ministry official said. The government has a 54 per cent stake in the firm, and the plan to divest part of it was given approval over two years back in July 2017. The strategic sale of Cement Corporation of India Ltd's Nayagaon unit may also be brought back on the table.

The firms that may go for buybacks include NTPC, Kudremukh Iron Ore, and RITES. News agency Reuters reported on Monday that Coal India, NMDC, and Engineers India were also on the list. Shares of many public sector enterprises (PSE) outperformed the benchmark indices on Monday amid reports of buybacks. The Nifty PSE index gained 2.3 per cent, while the Nifty50 index rose 0.94 per cent.

"Investors understand that firms do not need excess cash in hand if there are no expansion plans. We are going for share buybacks in a strategic manner and it's an important tool for disinvestment. The firms have been told to meet the capital expenditure needs, pay dividends or go for share buybacks," the finance ministry official said.

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## STAKE SALE IN HINDUSTAN COPPER SO FAR



	% stake	₹ crore
2012-13	5.6	807
2013-14	4.0	260
2016-17	7.0	400
2017-18	6.8	405

Source: Dipam

## UPHILL TASK

Disinvestment target for FY21: **₹2.1 trillion**

Proceeds so far: **₹5,696 crore**

## PLAN OF ACTION

- To identify more state-owned firms such as Hindustan Copper Ltd for strategic disinvestment
- Revive strategic sale proposals held up for long, such as BEML and Cement Corporation of India's Nayagaon unit

## NIFTY PSE INDEX JUMPS



Source: Bloomberg/Exchange  
Compiled by BS Research Bureau

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The ministry has told public sector units that if a stock is trading below book value, then the book value will be considered for the purchase. "The capital expenditure needs of the firms can be met through raising debt in future," the official added.

The government held 76 per cent in Hindustan Copper at the end of September, and it has been divesting stake in the firm in small tranches over the past few years. In 2017-18, the government divested 6.83 per cent through the offer for sale route, which helped it fetch ₹405 crore.

In June 2019, Vedanta Resources Chairman Anil Agarwal had urged Prime Minister Narendra Modi to divest stake in at least five state-owned companies, which included Hindustan Copper. Vedanta had acquired

the government's 64.9 per cent stake in Hindustan Zinc (HZL) during 2002-2003. Agarwal's Sterlite Copper had almost a 40 per cent share in copper production, though it has been hit because of controversies surrounding its Thoothukudi plant.

The government was relying upon strategic sales of marquee assets like Air India and Bharat Petroleum Corporation (BPCL) to meet its divestment target for FY21, but the Covid-19 pandemic has put a question mark over the plans. Both the aviation and oil industries are under stress because global demand for air travel and oil has reduced. Even the initial public offering (IPO) for Life Insurance Corporation may face a delay as the government is planning to do it at an "appropriate time", looking at market conditions. So far, the government has been able to mop up only ₹5,696 crore from the divestment proceeds this fiscal year.

In the previous financial year, three state-owned firms bought back shares worth ₹822

crore from the central government, which constituted 1.6 per cent of the divestment proceeds of ₹50,299 crore.

The share buybacks by PSUs were counted as part of the disinvestment proceeds for the Centre from 2015-16. In absolute terms, the highest-ever proceeds through this route came in 2016-17, when firms such as Coal India, NLC India, and NHPC bought back shares worth ₹18,963 crore, which was roughly 40 per cent of that year's divestment proceeds of ₹47,743 crore.