

Govt to avoid ETF, OFS to protect stock value

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The government will focus on cutting its stake in 21 listed firms and also list its companies, but will wait for an appropriate time for stock prices to improve.

However, it does not plan to come up with more exchange-traded funds (ETF) or offers for sale anytime soon for the same stocks as part of their divestment strategy, because a market study has shown that ETFs reduce values of stocks and bring down the worth of initial public offerings (IPOs).

"We will not do further tranches of two equity related offerings. That has been claimed to be as one of the reasons for the overhang on stock prices. We will not be repeatedly coming to the market with the same stocks, and are going to keep the interests of long-term investors in mind and avoid the price overhang," said Tuhin Kanta Pandey, secretary to the Department of Investment and Public Asset Management (DIPAM).

ETFs have been a favoured strategy for the government, with around 80 per cent of last fiscal year's sale proceeds com-



IPOS PLANNED
RailTel, IRFC,
TCIL

STRATEGIC SALE
Air India, BPCL,
Pawan Hans,
Concor

ILLUSTRATION:
BINAY SINHA

STEEP TARGET

Disinvestment in the past few years

■ Budgeted (₹ cr)
■ Actual

Fiscal Year	Budgeted (₹ cr)	Actual (₹ cr)
FY19	80,000	94,727
FY20	1,05,000	65,000
FY21	2,10,000	

ing from such transactions.

Even in FY21, the government raised ₹5,695.63 crore through offers for sale in Hindustan Aeronautics and Bharat Dynamics.

Pandey is counting on paring government stakes in listed entities. The government will cut its stakes in 21 listed public-sector undertakings (PSUs) to meet the 25 per cent public shareholding norm, mandated by the Securities and Exchange Board of India (SEBI).

The government had a ₹2.1-trillion disinvestment target for

the current fiscal year. This hinged primarily on strategic sales of marquee assets like Air India and Bharat Petroleum Corporation Ltd (BPCL), which have been severely hit due to the pandemic.

Both the aviation and oil industries are under stress because global demand for air travel and oil has reduced.

A portion of the disinvestment would come from stake sales in public-sector banks and the IPO of Life Insurance Corporation (LIC).

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OFS, ETC...

A top finance ministry official said the government was planning to go ahead with the stake sale of IDBI Bank this year, while the IPO for LIC will be planned at an "appropriate time", looking at market conditions. The government may not immediately divest stakes in state-owned banks owing to poor market valuation. It may wait for at least a year to do so.

So far this year the government raised ₹5,695.63 crore through offers for sale in Hindustan Aeronautics and Bharat Dynamics. Last week, in the government's first IPO of FY21, Mazagon Dock Shipbuilders was subscribed over 157 times. The government sold 15.17 per cent to raise ₹444 crore.

Pandey, however, said BPCL would witness an investor interest and did not see any need to extend the deadline for initial bids, which is November 16.

For Air India, the Centre is likely to amend rules to make it easier for prospective suitors so that they can bid on the enterprise value, which is an equivalent of the combined debt plus equity value.

DIPAM is encouraged by the response to the IPO of Mazagon Dock. Mazagon Dock was listed on October 12 and had a robust opening day. The stock closed ₹171.95, an 18.5 per cent premium to its issue price of ₹145. The Centre has a pipeline of IPOs for RailTel, Indian Railway Finance Corporation, and Telecommunications Consultants India. Pandey said DIPAM was not perturbed about missing the disinvestment target.