

EXPLORING OPTION for forthcoming issues such as LIC; new Bharat Bond ETF issues likely, says DIPAM secretary

Govt may Bring Anchor Investors in PSU IPOs

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Mumbai: Anchor tenants: Their glittering presence helped mall owners sell or lease expensive floor space as India opened up to organised retailing. A similar approach is very much likely when New Delhi begins the sale of shares in some of the companies it owns – and garner much more value by engaging bulge-bracket anchor investors.

In an investor interaction hosted by the Mumbai-based DAM Capital, Tuhin Kanta Pandey, secretary of the Department of Investment and Public Asset Management (DIPAM), said that anchor allocations in public-sector IPOs are a key part of the value unlocking process and the government will be open to exploring it.

The Centre is likely to use the option of involving anchor investors

in its forthcoming multi-billion dollar IPO of the Life Insurance Corporation (LIC), said bankers. New Delhi had considered an anchor option in the ₹15,000-crore IPO of Coal India 10 years ago, but the idea was shelved.

Pandey said that retail discounts are not required for a reasonably priced IPO citing the recent offer of Mazagon Dock, which saw a huge demand from retail investors.

The government, according to DIPAM, is unlikely to launch any fresh PSU Equity Exchange Traded Fund (ETF) but may pursue Bharat Bond ETFs as the initial response to the first two issues has been very encouraging. In its maiden offer in December last year, Bharat Bond ETF had mobilised ₹12,400 crore while it had raised another ₹11,000 crore in July this year.

The Central Public Sector Enterprises fund, or CPSE ETF, declined 21% so far this year compared with

Unlocking Value

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NEW IPOs will be done where feasible, but DIPAM will also pursue buybacks and dividends from PSUs to raise resources

THE CENTRE is prioritising large-ticket strategic disinvestments with management transfer to non-government entities to generate revenues

GOVT IS also trying to introduce tighter norms for capital deployment and returns for PSUs

6% gain by Nifty.

DIPAM now seeks to pursue buybacks and dividends as a preferred route to raise resources while bringing new IPOs and achieving minimum public shareholding (MPS) norms wherever feasible.

On investor concerns around ca-

pital allocation in certain PSUs, DIPAM secretary said that the government is trying to introduce tighter norms related to capital deployment, return on capital and asset returns.

"This should help to remedy some of the capital misallocation chal-

lenges in these firms and help in value creation," Pandey said.

In a fundamental shift in strategy, the government, according to DIPAM is now prioritising large ticket strategic divestments with clear transfer of management control to non-government entities to generate revenues as against the earlier strategy of generating proceeds from partial equity stake sales across multiple entities. As of now, most of the divestments were solely around distressed assets.

DIPAM is also working with the department of telecom on the asset monetisation of MTNL and BSNL properties. Pandey also said that the government is working on resolving issues around state regulations that may impact the divestment of some of the assets. He cited the instance of BEML, where the government is planning to demerge real estate assets from the company before the divestment.