Govt invites bids to privatise BEML

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The Centre on Sunday invited bids for strategic divestment in BEML, four years after the Cabinet approved divestment in the company.

The government will sell 26 per cent out of the total 54.03 per cent stake it holds in the company along with transfer of management control, according to the preliminary information memorandum released by the Centre.

Last Monday, the Core Group of Secretaries on Divestment had approved sale of government stake in the company that has interests in defence, aerospace, mining and rail.

The sale would push the Centre's privatisation drive at a time when the government wants to limit PSU presence, and exit from companies in non-strategic sectors.

The sale could fetch the government ₹1,055 crore, according to the company's share closing price on Friday. The government, in December 2016, had approved a plan to divest 26 per cent stake in the state-owned entity.

The disinvestment will be through a two-stage open competitive bidding process.

Expressions of interest (EoIs), that will have to be submitted by March 1, 2021, would be vetted based on the eligibility criteria specified in the first stage. Interested parties will be allowed to send their queries from Monday, and will have to submit their EoIs by March 1 electronically, and a physical copy by March 16.

Based on the evaluation of EoIs, shortlisted bidders will be provided with request for proposal (RFP), including draft share purchase agreement and draft shareholders agreement. The shortlisted bidder, approved by the Cabinet Committee on Economic Affairs, will be designated the successful bidder.

The successful bidder will have to undertake certain obligations, such as employee protection, asset stripping, business continuity and lock-in of shares acquired in the proposed transaction. These conditions will be specified in the RFP.

The government has appointed SBI Capital Markets as its transaction advisor to advise and manage the strategic disinvestment process.

The company's non-core assets will be hived off and will not be a part of the divestment. The board of the company, based on the government's decision, has agreed to hive off surplus land separately and exclude it from the process of strategic disinvestment.

If the asset hive-off process is not completed before the strategic disinvestment process, then a separate mechanism will be formulated to ensure that the non-operational surplus land does not form part of the total assets of the company, post disinvestment.

The company owns operational and non-operational land totaling 2,945 acres. It also owns flats, offices and guest houses totaling 10.99 lakh square feet.

One of the subsidiaries of the company — Vignyan Industries — will not be part of the divestment, and will be shut down.

Eligibility for bidders

Companies, limited liability partnerships and funds, eligible to invest in India, can participate in the process if their minimum net worth is ₹1,400 crore. Interested bidders will have to form a consortium, and bid for the company with lead member owning a minimum 51 per cent in the consortium.

The bidders should have reported positive profit in at least three out of five preceding years. Employees of BEML are also allowed to bid for the company independently or through a consortium with a bank, venture capitalist or a financial institution. CPSEs are not allowed to bid.

Given that BEML is a listed company, the acquisition of 26 per cent would trigger a mandatory open offer. The investor will be required to make an offer to acquire an additional 26 per cent from public shareholders once the shareholding increases to 25 per cent or more.

Centre planning to offload 10% stake in Rashtriya Chemical

The government is planning to sell 10 per cent stake in Rashtriya Chemical and Fertilizers Ltd (RCFL) and invited bids from merchant banker and legal firms for managing the share sale process. Interested merchant bankers and legal advisors will have to be submit their bids by January 28 and January 29, respectively, the Department of Investment and Public Asset Management (DIPAM) said in a notice. PTI