Divestment drive: Covid may lead to some delay

Estimates will be revised as rating agencies revise their outlook: Govt official

NIKUNJ OHRI

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ith disruption caused by the second wave, 'fear of the unknown' is looming over the government's divestment drive. Although there is a lot of uncertainty and unpredictability on how things will unfold, the government is hopeful of completing the transactions listed in the Budget with a delay of one to two months, said a top government official.

However, "there are many unknown factors now, and we do not know whether there could be a third wave. But we are trying to carry on with our work," the official said.

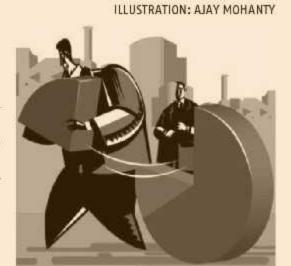
He added, "Since there is a lot of uncertainty, our estimates will have to be revised as rating agencies are revising their outlook for growth."

"However, with over three quarters of the fiscal year still left, the government is hopeful to complete the transactions we have listed in the Budget," the official said.

Finance Minister Nirmala Sitharaman, in her Budget speech, had mentioned that strategic disinvestment of Bharat Petroleum Corporation (BPCL), Air India (AI), Shipping Corporation of India (SCI), Container Corporation of India (Concor), IDBI Bank, BEML, Pawan Hans and Neelachal Ispat Nigam (NINL), among others, and the initial

EYE ON THE TARGET

- ▶ Govt hopeful of completing divestments listed in the Budget in FY22
- Second wave has caused a lot of uncertainty on how things will unfold
- ▶ Bidders need more time to conduct due diligence because of restrictions on physical movement
- ▶ Experts believe divestment program can be saved only if pace of vaccination is improved and the damage caused by the pandemic is contained in the first quarter



▶ Govt targets to mop up ₹1.75 trillion in divestment receipts in current fiscal yr

public offering (IPO) of Life Insurance Corporation (LIC) would be completed in 2021-22. The divestment target of 2021-22 has been set at ₹1.75 trillion as against ₹32,835 crore garnered last fiscal year.

The process of privatisation of Air India, BPCL, Pawan Hans, BEML, SCI and NINL has already moved to the second stage after the government received multiple expressions of interest (EoI) for these public sector companies (PSUs). "We were targeting to complete some of the transactions before schedule, but there has been a setback for divestment of those companies due to the second wave. However, all these transactions are well within the government's target of getting completed in FY22 as of now,"

the official said.

Transactions such as BPCL are in the process, and access to virtual data room has been given to bidders. However, due to restrictions on physical movement, bidders would need more time to complete due diligence. As of now, the government is expecting a delay of one or two months, the official, quoted above, said.

The government also expects the privatisation of Air India to take off without any disruptions even as Cairn Energy has sued the airline in the US, Business Standard had reported on Tuesday.

For Air India, as the divestment process is going on for years, many bidders would have done some due diligence, said N R Bhanumurthy, vicechancellor of Bengaluru Dr BR Ambedkar School of Economics (BASE) University.

However, the litigation filed against AI by Cairn Energy could drag the divestment process a little, Bhanumurthy added.

"Market is conducive for divestment of public sector undertakings, and investors are sitting with cash and may want to invest," Bhanumurthy said. He said this year could be better for divestment, and the government would be able to realise better divestment receipts. The government should move faster to generate more non-tax revenue as it would need money for vaccination, spending to revive the economy and for giving grants to states, he added.

However, Srivastava from EY India said the government's "divestment programme can be saved if vaccination in the country goes on smoothly, and the damage caused by the pandemic is contained in the first quarter."

One positive factor for the government is markets are doing well and investment sentiment has not been impacted excessively, he said.

Agreed Sandeep Shah, managing partner at NA Shah Associates LLP. He said the government's divestment programme would depend on two important factors: Vaccination of the majority of the country's population, and legal hurdles such as attaching international properties of PSUs.