

Coal India stake sale a hit with investors

By AMI SHAH,
POOJA SARKAR &
REMYA NAIR

MUMBAI/NEW DELHI

State-owned Coal India Ltd's (CIL's) offer for sale (OFS) to raise around ₹22,600 crore was oversubscribed on Friday, indicating strong investor appetite for quality issuances and boding well for the remainder of the government's asset sale programme.

It's the highest amount raised by the government from a single asset sale.

The government sold a 10% stake in the Kolkata-based coal miner, which translates to 631.6 million shares. The base issue size was 315.8 million shares with an option to sell another 315.8 million that was exercised.

The sale attracted bids for 675.24 million shares, or

106.9% of the total issue size. The floor price for the offer was set at ₹358. Retail investors will be issued shares at a 5% discount to the issue price discovered. Twenty per cent of the issue was reserved for them.

Investor response to the CIL offering is positive for the government's asset sale programme, which is targeting raising ₹43,425 crore from stake disposals in state-run firms in the fiscal year ending 31 March.

The government also targeted raising an additional ₹15,000 crore from the sale of residual stakes in erstwhile state-owned firms.

Prior to the sale of the stake in CIL, the government had raised only ₹1,719.54 crore through the sale of a stake in Steel Authority of India Ltd. Meeting the disinvestment target will be key for the government to meet its fiscal deficit target of 4.1% of gross domestic product this fiscal year.

"We saw strong interest from FII (foreign institutional investor) and domestic investors," said a banker involved in the issuance. He did not want to be named

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because he is not authorized to speak to the media.

Investors like Government of Singapore Investment Corp., BlackRock Inc., Life Insurance Corporation of India and mutual funds like Reliance Mutual Fund, Birla Sun Life Mutual Fund and ICICI Prudential Asset Management Co. participated in the issuance, the banker said.

The non-retail portion of the bids was subscribed to the tune of 122.62%.

"The very good response to Coal India issue is a reflection of investor confidence and appetite for quality issues," said Navneet Munot, chief investment officer at SBI Mutual Fund.

The retail portion saw bids for 44.05% of the total portion reserved for their category, but analysts say there was nothing

unusual about it.

"Normally, when the stock is available in the market anyway, retail investors' participation is not very high. The size of the investment is not very big, and they can buy them from the secondary market," said Gaurav Dua, head of research at retail-focused brokerage firm Sharekhan Ltd.

"In cases such as OFS, large institutions are more interested in buying big chunks at one go, as they are better off through that route to buy, rather than the market," added Dua.

CIL holds a monopoly on commercial coal mining, accounting for more than 80% of the country's total production.

The firm's shares closed 3.81% lower at ₹360.85 each on BSE, while the 30-share Sensex closed 1.68% lower at 29,182.95 points.

Aradhana Johri, secretary, department of disinvestment in the ministry of finance, said in New Delhi that the response of foreign investors "shows the attractiveness of the Indian economy and the markets".

"We are looking at getting cabinet approval for a few more issues, so that the department can proceed with the disinvestment at

the appropriate time," she added, without disclosing the names and timing of the issues lined up.

The cabinet has cleared stake sales in Oil and Natural Gas Corp. Ltd, the country's biggest hydrocarbon explorer, and hydro-power generator NHPC Ltd, among others.

Johri hinted that share sales of some companies that may benefit from the budget, to be presented on 28 February, could be pushed to March.

The government has suggested to the capital market regulator to reduce the notice period required before an OFS to ensure that the stock price is not beaten down by the markets, she added.

Three bankers who have been hired by the government for the disinvestment programme indicated that even investment banks do not have clarity on which share sales the government is keen to launch next.

"If you notice, the government has not hired the same banker for more than two-three issuances as they want everyone to work on roadshows and launch whichever they find conducive at the last moment," said one banker who is involved in two forthcoming issuances.

ami.s@livemint.com

Asit Ranjan Mishra in New Delhi contributed to this story.

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