

Cabinet approves ECGC listing, capital infusion of ₹4,400 cr

IPO will unlock the true value of the company: Govt

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The Union Cabinet on Wednesday approved the infusion of ₹4,400 crore into state-owned credit insurance provider ECGC Ltd over a period of five years, starting FY22. It also approved the listing of the company on the domestic bourses, which is likely to take place in the next fiscal.

In a media briefing after the Cabinet meeting, commerce and industry minister Piyush Goyal said that out of the total amount, ₹500 crore will be infused in the current fiscal, and another Rs 500 crore will be infused in FY23. The remainder will be pumped in as and when required, he said.

"As far as the quantum of listing is concerned....all of these will be decided by the alternative mechanism in due course," Goyal said.

An official statement said that the proposed listing of ECGC will unlock the 'true value of the company' and 'promote people's ownership' by encouraging public participation in the equity holding of the company.

The listing on domestic bourses will result in more transparency as well as accountability, and enable the company to mobilise fresh capital from the market, either through the same IPO or subsequently through a follow-on public offer (FPO). This will also increase its maximum liabilities from ₹1 trillion to ₹2.03 trillion by 2025-26.



EXPORT BOOST

- ECGC IPO likely to hit the market in FY23
- Listing may help ECGC increase its maximum liability cover to ₹2.03 trn by FY26
- Capital infusion to increase ECGC's capacity to underwrite risks up to ₹88,000 cr
- Corpus contribution of ₹1,650 cr to NEIA will increase the underwriting capacity of the Trust and support project exports worth ₹33,000 crore

"The approved infusion along with efforts made to suitably synchronise with the listing process of ECGC through the Initial Public Offering will increase the underwriting capacity of ECGC to support more exports," an official statement said.

ECGC was set up more than five decades ago to promote exports by providing credit insurance services to exporters against non-payment risks by overseas buyers for commercial and political reasons. The company is the largest player in the export credit insurance market in India.

ECGC provides insurance covers to banks, thereby encouraging them to lend to small exporters who have been hit by the pandemic. "When

small exporters export, they want to have insurance cover as well. If, for some reason, the payment does not come, in such a situation, the government company ECGC will provide the facility of insurance for the payment," Goyal said.

The announcement comes at a time when India is looking at achieving a \$400 billion export target in the current fiscal. Goyal said that as of September 21, India has exported goods worth \$185 billion and is expected to reach \$195 billion mark during the first six months of the current fiscal. While the government is optimistic about meeting the \$400 billion target, it may be difficult to exceed the target, owing to challenges such as high shipping rates and container shortage, he added.