

# Centre may miss divestment target again as BPCL remains unsold

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With the uncertainty looming over the privatisation of Bharat Petroleum Corporation Limited (BPCL), the government's disinvestment target of ₹1.75 trillion for FY22 is unlikely to be met.

The Centre may lower its target for disinvestment receipts in the revised estimates, even as it is on track to launch the initial public offering (IPO) of public sector behemoth Life Insurance Corporation of India (LIC).

Highly placed sources said that while the LIC IPO, touted as the largest ever in India, is on schedule to be completed before March 31, 2021, the planned privatisation of BPCL may spill over to the next financial year. Hence, when Finance Minister Nirmala Sitharaman presents the Union Budget for 2022-23, the revised estimates for divestment could be around ₹50,000

crore lower than the 2021-22 budget estimates.

"We are confident that the LIC IPO will be completed this year. Most of the work, including the embedded valuation, is being done at a brisk pace. The Department of Investment and Public Asset Management (DIPAM) has a successful track record of taking PSUs public," said a top official.

The Centre expects to mop up nearly ₹1 trillion from LIC's IPO.

"Privatisation is a more complex process. Just because Air India happened, it does not mean that other big privatisation plans can be speeded up," the official added.

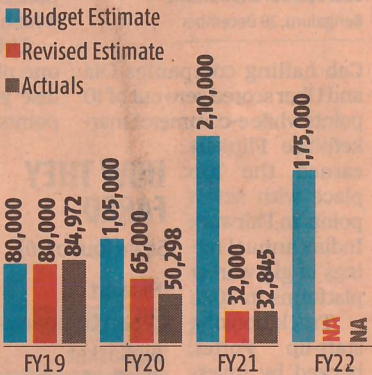
In terms of expected proceeds, the LIC IPO and Bharat Petroleum's privatisation would dwarf all other plans for the year, including the sale of Air India, Shipping Corporation of India (SCI), Central Electronics, Nilachal Ispat Nigam, and Pawan Hans.

Officials say that there has not been much progress on the sale of BPCL, as many bidders have not been able to find partners to form a consortium to finance the deal. This is due in part to the fact that there continues to be considerable global macro-economic uncertainty over the Covid-19 pandemic. Besides, there is volatility in the energy markets. Turn to Page 6 ▶

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## DIVESTMENT: MISSING TARGETS (in ₹ cr)



Source: Budget documents, DIPAM

## Unsold BPCL...

Moreover, the due diligence for the sale of BPCL has taken longer than anticipated. Interested bidders had got access to the refiner's financial data in April, but have seen delays in completing due diligence on account of disruptions owing to the pandemic.

Till early 2020, before the pandemic hit India, government officials were confident that BPCL would sell before Air India, as it was a profitable company and an attractive prospect for global energy giants wishing to get access to the Indian retail oil market. That has not come to pass.

Given the divestment

shortfall and higher expenditure commitments, it also remains to be seen if the fiscal deficit target for 2021-22 — 6.8 per cent of GDP — will be met, even though tax revenues so far have been much higher than expected.

The Centre has so far garnered ₹9,330 crore in divestment proceeds in the current financial year. The receipts are from minority stake sales in companies such as NMDC, HUDCO, and Indian Petrochemicals Corporation (now Reliance Industries), among others. The proceeds do not include the privatisation of Air India and Central Electronics Ltd.