

# FY22 receipts seen at ₹1-1.3 lakh cr, FY23 target at ₹1.75 lakh cr likely

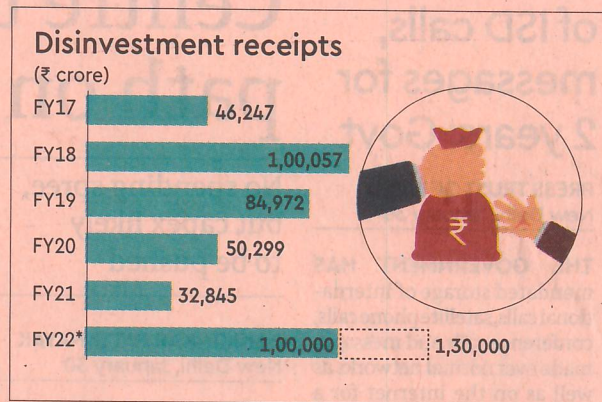
Without the LIC IPO, the government's disinvestment receipts would be around ₹30,000 crore in FY22

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**THE GOVERNMENT COULD** mobilise about ₹1-1.3 lakh crore in FY22 disinvestment receipts, which largely hinges on the proposed mega IPO of Life Insurance Corporation in March.

While LIC IPO would help the government narrow the shortfall from the budgeted disinvestment target of ₹1.75 lakh crore for FY22, it could again set a target of about ₹1.75 lakh crore for the next financial year as some of the big-ticket strategic sales such as that of fuel retailer-cum-refiner BPCL and IDBI Bank, originally planned for this financial year, are expected to conclude next financial year.

Without the LIC IPO, the government's disinvestment



receipts would be around ₹30,000 crore in FY22.

LIC IPO is being fast-tracked in consultation with the Securities and Exchange Board of India (Sebi) and the draft red herring prospectus (DRHP) being filed with the regulator in the first week of February would be as flawless as possible, department of investment and public asset management secretary Tuhin Kanta Pandey told *FE* last week, reiterating the government's resolve to complete the country's largest IPO in March.

The government could mop up around ₹1 lakh crore if it dilutes a 10% stake in the public-sector insurer, but the

size of the issue is yet not clear, as market sentiments could decide it. The government has collected ₹27,330 crore or 16% of the FY22 disinvestment target.

The government could mop a few thousand crore rupees from the privatisation of helicopter service provider Pawan Hans (unlisted) and divestment of some portion of SUUTI (Specified Undertaking of The Unit Trust of India) stake in Axis Bank or ITC by March 2022. SUUTI's 7.92% stake in ITC is worth about ₹21,000 crore and 1.55% stake in Axis Bank is worth about ₹3,700 crore at the current market prices.

BPCL privatisation, which

was slated for FY22, will likely be completed in FY23 as no decision has yet been taken on calling for financial bids. In November 2020, multiple bidders including Vedanta, Apollo Global Management and Think Gas (I Squared Capital) showed interest in the government's 52.98% stake in BPCL. However, US private equity firm I Squared Capital is reported to have dropped out of the race to buy the state-run oil firm, due to the complex deal structure and lack of financial backers for the transaction.

The market value of the Centre's entire stake in BPCL is worth about ₹44,000 crore at the current prices. The government would likely want a premium over the market valuation for its stake in BPCL. It may fetch ₹50,000-60,000 crore.

The other big-ticket rollovers to the next financial year include the government's proposed 45.48% stake in IDBI Bank worth about ₹24,500 crore at the current market prices. By making suitable changes to railways land licensing policy, the government could offload a 30.8% stake in the Container Corporation worth about ₹12,000 crore at the current market

prices. Shipping Corporation of India privatisation may fetch around ₹4,000 crore. With the Supreme Court recently allowing the sale of the government's residual 29.54% stake in Hindustan Zinc worth about ₹39,000 crore, it could be another big-ticket disinvestment in FY23.

In the Budget for FY22, the government had announced to take up privatisation of two public sector banks and one general insurance company. But, these transactions are likely to feature in the disinvestment programme for the next financial year.

According to sources, Niti Aayog has already recommended the sell-off of Indian Overseas Bank (96.38% worth about ₹38,000 crore at current market prices) and Central Bank of India (93.08% ₹17,575 crore) to the core group of secretaries on disinvestment, headed by the Cabinet secretary. Additionally, a public sector general insurance company will likely be taken up for privatisation.

There will be a few smaller other transactions as well even though the bulk of the proceeds from disinvestment next financial year would flow from strategic sales/privatisation.