

FY23 target set at a conservative ₹65,000 crore

FY22 divestment mop-up slashed to ₹78,000 cr; hopes pinned on LIC IPO

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Breaking from its tradition of the last three years of setting ambitious divestment targets, the Centre has pegged next fiscal's target at a conservative ₹65,000 crore.

The divestment target for the current financial year has been slashed by over 55 per cent, to ₹78,000 crore, as its big-ticket privatisation proposals have seen a delay. The government is now pinning its hopes on the listing of Life Insurance Corporation of India (LIC) to meet the revised target.

"Keeping a high divestment target

sometimes distorts the market," said Tuhin Kanta Pandey, secretary, Department of Investment and Public Asset Management (DIPAM). "Nothing stops us from achieving what we want to in disinvestment. Ongoing transactions will be carried out."

Pandey said with Revised Estimates at ₹78,000 crore, one should not speculate on the size of the LIC IPO as the valuation of the insurer is yet to reach a conclusion.

The government has not included the entire estimated proceeds from the LIC IPO since it is market-sensitive information, Finance Minister Nirmala Sitharaman told reporters.

SHEDDING STAKES

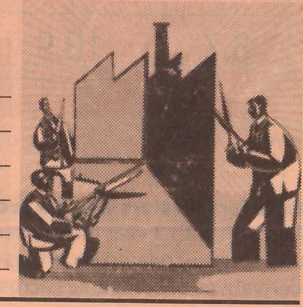
Year	Budget Estimate (in ₹ cr)	Revised Estimate (in ₹ cr)	Receipts
FY19	80,000	80,000	84,972
FY20	1,05,000	65,000	50,298
FY21	2,10,000	32,000	32,845
FY22	1,75,000	78,000	NA
FY23	65,000	NA	NA

Source: Budget documents, DIPAM

Since DIPAM has realised ₹12,030 crore so far during the current financial year, 2021-22, this means the Centre is expecting a minimum of ₹66,000 crore from the LIC IPO. However, actual receipts from the IPO, touted to be India's largest, would depend on the offer size the government finalises and

the market conditions. For the next year as well, the government has set an achievable target of ₹65,000 crore even as it expects the completion of the big-ticket privatisation of Bharat Petroleum Corporation (BPCL) and Shipping Corporation of India (SCI),

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among others. The government has also not estimated any receipts from the "disinvestment of government stake in public sector banks and financial institutions" for the ongoing and the next fiscal year.

Pandey, in the post-Budget press conference, said this time a separate entry has not been constituted since it doesn't matter where the divestment proceeds are coming from.

The receipts from disinvestment of government stake in public sector banks and financial institutions had been estimated at ₹1 trillion for this financial year.

The government, while targeting ₹1.75 trillion receipts for this year, had expected to complete big privatisation proposals such as BPCL, SCI as also the launch of the LIC IPO. However, the second and the third waves of the Covid-19 pandemic led to procedural delays and made investors jittery.

The downward revision of the disinvestment target for FY22 should make it achievable with the LIC IPO expected to be launched soon, said Sandeep Shah, managing partner at NA Shah Associates LLP.

"It would be interesting to see whether the government is contemplating downsizing the LIC IPO as early estimates were that more than ₹1 trillion would be raised from the listing of the insurer. Currently, there are no indications that valuations are a matter of concern," Shah said.

THE RECEIPTS FROM DISINVESTMENT OF GOVERNMENT STAKE IN PUBLIC SECTOR BANKS AND FINANCIAL INSTITUTIONS HAD BEEN ESTIMATED AT ₹1 TRILLION FOR THIS FINANCIAL YEAR