

Govt hopes to mobilise ₹1.3L cr from disinvestment next fiscal

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THE GOVERNMENT COULD mobilise about ₹1.3 lakh crore, twice the amount estimated in FY23 Budget from disinvestment in the next financial year as the mega Life Insurance Corporation (LIC) IPO is likely to be deferred to the next financial year.

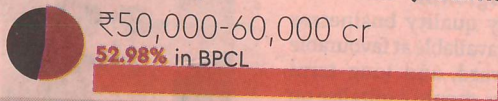
A 5% stake sale in LIC, which could have fetched ₹65,000-70,000 crore, was enough to achieve the revised (RE) disinvestment receipt target of ₹78,000 crore (down 56% from the Budget estimate of ₹1.75 lakh crore) for FY22. Without the LIC IPO, the government's disinvestment receipts could be just ₹15,000-20,000 crore in FY22.

The government had set a modest ₹65,000 crore disinvestment target for FY23.

The market volatility after the outbreak of Ukraine-Russia war has forced the government to review the proposed LIC IPO, which may not hit the market as planned during this month on concerns that foreign investors may stay away from the issue.

The failure to execute LIC IPO, however, won't need a sharp revision of the targeted fiscal deficit of 6.9% of GDP for FY22.

Disinvestment plans* for FY23 (Estimate)



LIC, BPCL and a few other transactions are likely to go through in FY23

Thanks to buoyancy in tax revenues, the Centre could collect additional net tax revenues of up to ₹80,000 crore over and above the FY22 RE, offsetting the shortfall on account of the postponement of LIC IPO.

Besides LIC IPO, 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. The market value of the Centre's entire stake in BPCL is worth about ₹40,000

crore at the current prices. However, the Centre could garner between ₹50,000-60,000 crore going by its recent market valuation, which has been affected due to stock market volatility. 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.