

FIRST LIGHT

10 March 2023

RESEARCH

BOB ECONOMICS RESEARCH | DISINVESTMENT

Current target and status

SUMMARY

INDIA ECONOMICS: DISINVESTMENT

In the current fiscal year, we are noticing that disinvestment receipts are running much behind the revised target also. Compared with FY23RE of Rs 50,000 crore, government has so far garnered only Rs 31,000 crore. In this brief analysis we look at the potential resources that can be collected through disinvestment working on the premise that the government continues to hold 51% share in all the PSUs including those in the financial sector. This will indicate the maximum amount that can be raised without any change in ideology of government ownership at current market prices. However, as this theoretical scenario does not take into account strategic and non-strategic sectors/companies, the numbers stated below should be read with caution.

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Daily macro indicators

Ticker	07-Mar	08-Mar	Chg (%)
US 10Y yield (%)	3.96	3.99	3bps
India 10Y yield (%)	7.41	7.43	3bps
USD/INR	81.92	82.06	(0.2)
Brent Crude (US\$/bbl)	83.3	82.7	(0.8)
Dow	32,856	32,798	(0.2)
Hang Seng	20,534	20,051	(2.4)
Sensex	60,224	60,348	0.2
India FII (US\$ mn)	03-Mar	06-Mar	Chg (\$ mn)
FII-D	(122.4)	7.2	129.6
FII-E	28.8	105.9	77.2

Source: Bank of Baroda Economics Research

BOBCAPS Research
 research@bobcaps.in



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Sonal Badhan
Economist

Current disinvestment target and status

Every year government announces a disinvestment targets in its annual budget presentation. For instance, for FY23, initially budgetary target was set at Rs 65,000 crore which later brought down to Rs 50,000 crore. For FY24, the target has been set at Rs 51,000 crore.

So far in FYTD23, government has collected Rs 31,106 crore in disinvestment receipts and a bulk of it came from LIC's IPO (Rs 20,516 crore). The balance was covered by "offer for sales" (OFS) method used for ONGC (Rs 3,059 crore), IRCTC (Rs 2,724 crore), and PPL (Rs 472 crore); sale of Axis Bank shares held by SUUTI (Rs 3,839 crore); sale of enemy shares (Rs 0.24 crore), and GAIL's buyback of shares (Rs 498 crore). Thus it seems likely that government may miss the revised target also for FY23.

Potential kitty

The list of companies chosen for disinvestment each year is strategically determined, based on government's overall governance agenda (minimum government, maximum governance), the extent to which the sectors are critical and market conditions. In this note, we have undertaken a hypothetical exercise to determine what can be the potential size of disinvestment receipts if government was to divest its stake in all PSEs, PSBs and insurance companies up to 49% thus retaining control with 51% shareholding. The data has been taken from the website of Department of Investment and Public Asset Management (DIPAM). The market capitalisation along with the current shareholding of the government is based on the closing price of 8 Mar 2023 as specified on the website.

Non-Bank PSEs

Amongst the 53 PSEs under the ambit of the central government which are listed, maximum dilution (above 35%) is possible in 10 companies, namely: KIOC Ltd, Scooters India Ltd, HMT Ltd., ITI Ltd., ST trading corporation, Fertilizers and chemicals Travancore Ltd, MMTC Ltd., Andrew Yule and Company Ltd, ITDC and SJVN Ltd.



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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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