

Govt May Reduce Stake in Select State-run Cos to 40%

THE BIG GOAL Move to help govt meet the budgeted disinvestment target of ₹1.05 lakh cr

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New Delhi: The government is open to reducing its stake in select state-run firms including oil companies to as low as 40%, said a senior finance ministry official. This will help the government meet the budgeted disinvestment target of ₹1.05 lakh crore.

The govt may pare its stake in nonstrategic companies to as low as 26%

“The idea is to unlock the value in these firms. In case of oil firms, their crossholdings amongst each other give us that space,” the official said.

Finance minister Nirmala Sitharaman had said in her budget speech that the government was considering the option of taking its stake below 51% to an appropriate level on a case-by-case basis in companies that have to be retained under state control.

She noted that the government has decided to modify the 51% government stake definition to include the holdings of state-controlled entities.

In the case of Oil & Natural Gas Co.

Going Lean

Central govt and its agencies' stake in oil PSUs

ONGC	IOC	GAIL (India)	LIC	Govt stake
	7.84%	2.45%	9.48%	64.25%
IOC	ONGC	Oil India	LIC	
	14.20%	5.16%	6.51%	52.18%
GAIL (India)	ONGC	IOC	LIC	
	4.83%	2.41%	4.76%	52.64%

As of March 31, 2019

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Govt will work it out with respective stakeholders

(ONGC), the current government holding is 64.25% but around 19% is held by Indian Oil Corp, Gail (India) Ltd and Life Insurance Corp of India, all state-owned companies.

“We will discuss it with respective sta-

keholders wherever required and take an appropriate call depending on how much (stake) they would like to retain,” the official said, adding that in some companies the government may want to keep the threshold at 40-45%.

The government may pare its stake in nonstrategic companies to as low as 26%. “We may like to retain it at that threshold because if we want to strategically divest, the new owner may like to have that control for purposes of voting rights etc,” he said.

In a post-budget interaction with ET, Department of Investment and Public Asset Management secretary Atanu Chakraborty noted that the government had made the separation between control and a 51% stake for the first time.

“We have decided to go below 51% and open much larger investment space for people to come in, including international funds, which is needed,” he had said, adding that there are a lot of professionally run companies where promoters do not even hold 2-3% and if you look at Sensex 30, in around 18 out of 27 companies, promoter group holding is below 40%.