

India's sovereign wealth fund to fire on PSU fuel

Govt to shift PSU stakes to fund, which will earn from dividends, share sales

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The Union government plans to pool its shares in listed public sector companies to build India's first sovereign wealth fund, two people aware of the plans said. The fund will sell new and existing shares, receive dividends, raise money from strategic investors, and borrow against its shares to raise capital for its investment corpus.

The government will transfer its shares in listed PSUs, as well as the Specified Undertaking of the Unit Trust of India (Suuti), to this fund, the people cited above said on the condition of anonymity. Government-owned Suuti holds shares in various private listed companies. The plan, still in its early stages, is being discussed at various levels in the government and at PSUs.

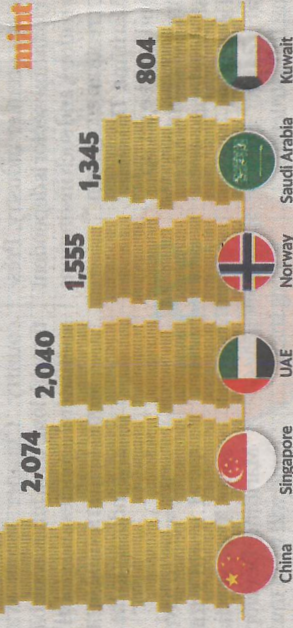
"It is estimated that these companies (listed PSUs) can provide the fund a corpus of ₹50 trillion, which can be leveraged to get funds for the purpose," one of the two officials cited above said. The sovereign fund will invest in India and abroad.

The government owns more

NEW VISTAS

About 40 countries have sovereign wealth funds, which they use to buy critical assets, back large corporations, and build infrastructure.

Assets managed by sovereign funds (in \$ billion)



Source: Mint research

STOCKING UP

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NEW fund may be run by professionals as in overseas funds

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than 51% stake in 48 publicly traded companies, which will be transferred to this fund. Its stake in every company going public will also be transferred to the new fund.

The Centre may also sell new shares in these PSUs minus voting rights, so that its own voting rights do not get diluted. Additionally, it

The government has sounded several experts, including Axis Bank chief economist Neelkanth Mishra and Kotak Mahindra Asset Management Co. managing director Nilesh Shah, for their views, the people cited above said.

When contacted, Mishra said, "It would not be appropriate to speak on this." Shah declined to comment.

A third person aware of the matter said the plan is to create a sovereign fund run by professionals on the lines of Singapore's Temasek and GIC, floated in the 1960s and 1970s. The two sovereign funds helped float large and prestigious corporations such as Singapore International Airlines and made aggressive investments abroad.

"Wealth funds have been there in smaller sizes," said N. R. Bhanumurthy, director, Madras School of Economics, referring to funds in which the central government holds a stake. "With this plan, the government is scaling it up to a bigger level, which is a good idea since it will help focus government's resources in the most required segments of the country's economy," Bhanumurthy added.

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own sovereign wealth funds, including large economies such as China, the US and Russia, as well as smaller ones such as Pakistan, Indonesia and Malaysia. Some of the more well-known names include Norway's Government Pension Fund Global, Singapore's Temasek, Abu Dhabi Investment Authority, Qatar Investment Authority and Mubadala Investment Co. Countries such as China and the US, which have multiple funds, use them to acquire critical assets and build infrastructure in several countries.

India makes such acquisitions through companies already present in the space and the specific company's balance sheet funds it.

For instance, India's key focus currently is on securing rare earth metals such as lithium, and it is in talks with countries in Africa and Latin America to get critical mineral blocks on a government-to-government basis.

To this end, the government created Khanij Bidesh India Ltd, a joint venture company of three PSUs—National Aluminium Co. Ltd, Hindustan Copper Ltd and Mineral Exploration & Consultancy Ltd—and the overseas deals are funded mostly through their balance sheet.

Apart from seeking critical technology and energy security by funding acquisition of critical minerals, the new fund will also invest in the domestic market.

“Usage can be domestic as well as international. It can invest in the domestic markets, too, and the fund can also look to optimize running of PSUs through mergers or demergers. Essentially, these government companies can work as one unit instead of working in silos,” said the first official cited earlier.