

Shipping Corp divestment may spill over to FY26

Centre struggles to resolve 'documentation issues' with Maharashtra government

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The privatisation of state-owned Shipping Corporation of India (SCI) is likely to be delayed beyond the current financial year 2024-25 as the Centre struggles to resolve "documentation issues" with the Maharashtra state government following the demerger of the shipping major's non-core assets, according to a senior official familiar with the matter.

"There has been no further progress on SCI disinvestment," the official said. "Some finance ministry officials went to Mumbai, followed up with the collector, and reviewed the situation. However, it's not progressing quickly."

In November 2021, the central government demerged SCI's non-core assets, forming Shipping Corporation of India Land & Assets Limited (SCILAL). The move transferred SCI's real estate assets, including Shipping House — a 19-story building in Mumbai — and the Maritime Training Institute to SCILAL. Now, all non-core assets, such as real estate properties unrelated to shipping, are under SCILAL's ownership. The new entity debuted on the stock exchange on March 19, 2024.

The Department of Investment and Public Asset Management (Dipam), which handles privatisations, had invited expressions of interest in December 2020 for the divestment of the government's entire 63.75 per cent stake in SCI.

However, the process has been bogged down by the need to update legal documentation following SCILAL's listing, DIPAM Secretary Tuhin Kanta Pandey told Business Standard in July 2024.

"There will be changes in government documents because now SCILAL is a separate company, and many of their leases are in the name of SCI. Therefore, all those leases and other documentation need to be updated," Pandey explained, adding that resolving these issues is a "critical aspect" of the privatisation process.

HIGH STAKES

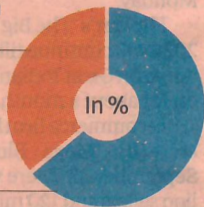
Shareholding pattern of Shipping Corporation

36.25

Public

63.75

Govt



Source: SCI

ON A RISE

Shipping Corporation (Stock price in ₹)



Note: The preliminary information memorandum for inviting expression of interest for the strategic disinvestment was issued on December 22, 2020

Source: Bloomberg, exchange

"In many public sector cases, documentation hasn't been very clear. When they acquired land, often the leases weren't in place — there might just be a letter. At that time, public sector investments were common, so the state government would simply allocate land with minimal formalities. We're now asking them to obtain the proper documentation to ensure private sector involvement. The private sector is very particular about this; they scrutinise every document meticulously with their lawyers during due diligence. We've asked the administrative ministry along with central public sector enterprises (CPSEs) to address these issues. Problems have been identified, and they will be sorted," he said.

While the government has stopped setting a specific disinvestment target since FY24, the FY25 Union Budget has projected total capital receipts, including disinvestment, at around ₹50,000 crore, up from the revised estimate of ₹30,000 crore for FY24.