Divestment drive: Centre targets ₹10,000 cr in FY25

A bulk of divestment proceeds is expected to be generated through the offer-for-sale route

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The government is likely to raise about ₹10,000 crore from divestment proceeds in FY25, with a bulk of it coming from the offer-for-sale (OFS) route, two people aware of the matter said.

During the first 10 months of the ongoing fiscal, the Centre has raised about ₹8,625 crore through disinvestment transactions, the people mentioned above said.

The proceeds have been mainly generated through the OFS of General Insurance Corporation of India (₹2,345.55 crore), Cochin Shipyard Ltd (₹2,015.32 crore), and Hindustan Zinc Ltd (₹3,449.18 crore), the first person mentioned above said.

Additionally, ₹815 crore was received from remittances linked to the Specified Undertaking of the Unit Trust of India (SUUTI), the person added.

The OFS mechanism allows listed companies to offload shares directly through the stock exchange.

To be sure, the Centre has stopped setting separate disinvestment targets since the last fiscal year, which means no specific disinvestment target exists for FY25.

However, the Budget Estimate (BE) for Miscellaneous Capital Receipts (MCR), which includes disinvestment receipts, was ₹50,000 crore, later revised to ₹33,000 crore, according to the revised estimates (RE).

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₹47,000 cr
FY26 target set for miscellaneous capital receipts

MCR, which includes proceeds from equity investments and public asset management, is pegged at ₹47,000 crore for FY26.

"It is reasonable to expect about ₹9,000crore-₹10,000 crore from divestment proceeds (mostly from the OFS route) during 2024-25," the second person mentioned above said, requesting anonymity.

This person added the Centre has adopted a "pragmatic and calibrated approach" to disinvesting public sector enterprise (PSE) stocks and timing market entries to maximize value.

Among ongoing strategic disinvestments, the government's stake sale in IDBI Bank is likely to conclude next fiscal, while divestments of the Shipping Corporation of India and NMDC Steel (the Steel-making arm of NMDC) could also be taken up during the same period.

A spokesperson for the finance ministry didn't respond to emailed queries.

During January 2024, *Mint* reported that there were as many as eight strategic disinvestment plans at various stages, which included selling the government's stake in the IDBI Bank Ltd, BEML Ltd, Shipping Corp. of India Ltd, HLL Lifecare Ltd, Projects & Development India Ltd, Indian Medicines Pharmaceutical Corp. Ltd and Ferro Scrap Nigam Ltd.

However, most of these divestment plans have made little progress so far and could be taken up in the coming years, depending on the market conditions.

Candidates for divestment next fiscal could also include certain subsidiaries of AI Assets Holding Ltd.

"Disinvestment and asset monetization are continuous processes, with execution and completion dependent on factors like market conditions, economic outlook, geopolitical factors, and investor interest, among others," the second person mentioned above said.

₹69,000 cr
FY26 target for public sector unit dividends

"The government is not troubled by the slow pace of disinvestment, as higher-than-expected dividend income from central public sector enterprises, driven by improved performance metrics, has provided a financial cushion," the person added.

For 2024-25, the Centre has set a target of ₹55,000 crore from PSE dividends and other investments, which has been increased to ₹69,000 crore for the next fiscal year.

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