

## Divestment: Budget FY23 Likely To See Higher Target; More Focus On NMP

India's Union Budget FY23 is likely to set a higher divestment target for the coming fiscal with more focus being set on the National Monetisation Pipeline (NMP).

Notably, the conclusion of the Air India divestment as well as upcoming listing of LIC is expected to prompt the Centre for a robust divestment target for FY23.

Besides, the possible shifting of BPCL divestment to next fiscal and an enhanced pipeline of core and non-core assets under the NMP could significantly ramp up the revenue stream.

"Divestment is likely to be kept robust at Rs 800 billion including the likely divestment of BPCL in FY23 and more assets coming under the NMP," said Madhavi Arora, Lead Economist, Emkay Global.

"We will not be totally surprised if the government puts an ambitious target in FY23 again. We assume LIC IPO will be done in FY22 itself."

In FY22, the Centre had kept a disinvestment target of Rs 1.75 trillion.

However, the target might be missed unless the LIC IPO gets completed in the next two months.

"We expect the government to continue keeping a high target for disinvestment and asset monetisation. If the LIC IPO gets postponed, then the budgeted disinvestment target will clearly be higher for the next fiscal," said Suman Chowdhury, Chief Analytical Officer, Acuite Ratings & Research.

"However, it is unlikely that the divestment of public sector banks will reach a logical conclusion by FY23. There is a risk of a continuing gap between budgetary targets in disinvestment and NMP plans and actual achievements over the next 1-2 years."

**M. Govinda Rao, Chief Economic Adviser at Brickwork Ratings, said: "In all probability, actual disinvestment proceeds will fall short of the budget estimate of Rs 1.75 trillion."**

**"If the LIC disinvestment goes through, the shortfall will be less. The BPCL sale will surely spillover into the next year. Depending on the volume of spillover, the capital expenditure will be impacted."**

The Union Budget 2021-22 laid a lot of emphasis on 'Asset Monetisation' as a means to raise innovative and alternative financing for infrastructure and included a number of key announcements.

In particular, the NMP targets to raise Rs 6 lakh crore through asset monetisation of Central government, over a four-year period, from FY22 to FY25.

"Thrust on disinvestment will continue, not only this year but also coming years," said Soumyajit Niyogi, Associate Director, India Ratings and Research.

"The focus is expected to be more on monetisation of various asset, than only on disinvestment."

In addition, Isha Chaudhary, Director, Crisil Research said: "National monetisation plan announced earlier in the year too is yet to actively take off with the target outlined for FY22 likely to slip, the focus should be on meeting the targets set out over the duration of the plan viz. till fiscal 2025.

"With assets already identified under the NMP, the government and the bureaucracy should focus on meeting the divestment agenda set out in the NMP rather adding more assets. Rather prioritisation of projects to achieve targets should be the prime focus."