

Finance ministry asks cash-rich PSUs like CIL, ONGC & OIL to consider buybacks

The finance ministry has asked cash-rich PSUs like Coal India, ONGC and Oil India to consider buying government equity in other state-run firms to help achieve Rs 40,000 crore disinvestment target in the current fiscal.

"We have written to all cash rich PSUs enquiring about their cash balance and capex plans. We have told them if they do not have sufficient capex plans they should buyback government share or pay higher dividend," a top government official told PTI.

The share sale of Coal India is the biggest disinvestment proposal for the government in the 2013-14 fiscal. The government plans to raise about Rs 17,000 crore through the stake sale.

The proposed 10% CIL stake sale may be split into Offer for Sale (OFS) and government equity buyback by the company, the official said. He further said in all such companies in which buy-back can happen, the disinvestment through OFS would come first followed by a share buy back.

"Merchant bankers have suggested that buyback be done post OFS as share buyback usually happens at a premium," the official added. The government plans to raise Rs 40,000 crore by way of disinvestment in the current fiscal and has already identified a host of companies for the same. India's 17 major public sector entities including CIL, ONGC, NMDC and OIL had over Rs 1.62 lakh crore in cash reserves during 2012-13.

(Economic Times)