

Government Taps Top Bankers for Public Sector Stake Sales



The government has appointed a consortium of merchant bankers and legal advisors to facilitate the sale of minority stakes in several state-owned financial institutions, including the Life Insurance Corporation of India (LIC). This strategic move, announced by Department of Investment and Public Asset Management (DIPAM) Secretary Arunish Chawla, is designed to help these entities comply with market regulator requirements for minimum public shareholding. The firms will be empanelled for three years, allowing the government to conduct these share sales at opportune market moments.

The appointments come after DIPAM, which is responsible for managing government shareholding in public sector enterprises, issued a Request for Proposal (RFP) in February. The selected merchant bankers and legal advisors will assist with the Offer for Sale (OFS) process. An OFS is a mechanism where promoters, in this case the government, can sell existing shares to the public through the stock exchange. It is a key tool for promoters to reduce their stake and meet regulatory compliance.

This is a significant step for LIC, where the government currently holds a 96.5% stake. The Securities and Exchange Board of India (SEBI) requires all listed companies to maintain a minimum public shareholding of 25%, though it has granted an extension for LIC to meet a 10% public shareholding requirement by May 16, 2027. The government needs to sell at least a 6.5% stake to meet this target. The same minimum public shareholding norm applies to several public sector banks, including Punjab & Sind Bank and UCO Bank, which also need to reduce the government's stake.

Secretary Chawla emphasized that these appointments are part of a deliberate and long-term strategy. The three-year term for the advisors provides flexibility, ensuring that the government can execute divestments in a measured and efficient manner, thereby maximizing value for taxpayers. The markets will now be focused on the government's next moves, anticipating when and at what price these shares will be offered for sale.