

Sell-off to fetch only ₹72K cr if PSU banks hit market now

DIVESTMENT BLUES Bad loans a drag on govt's plan to bring down stake to 52%

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NEW DELHI: Public sector banks (PSBs), hit by rising bad loans and bleeding balance sheets, are set to hit the market to raise capital. The government, which is ready to bring down its stake to 52% in these lenders, has asked them to prepare a roadmap for the same.

The exercise is likely to be done in a phased manner.

PSBs could garner around ₹72,471 crore according to the current market price if they decide to bring down government stake to 52%. This is much lower than ₹1.6 lakh crore estimated in December 2014 (see graphic).

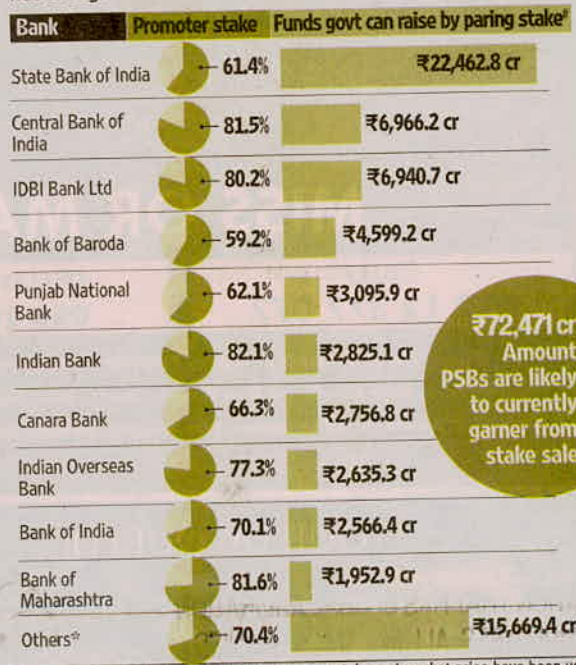
Banks require ₹1.8 lakh crore by 2018 to meet the Basel III or capital adequacy norms. While the government will infuse ₹70,000 crore in the next three years, the rest has to be borne by banks.

"Banks will have to chalk out their own plans (of public offerings) according to their needs... It will strengthen banks' financial positions and aid consolidation," an official source who did not wish to be identified told HT.

Out of 27 PSBs, the government controls 22 and State Bank of India (SBI) holds majority stake in the remaining five. State Bank of Patiala and State Bank of Hyderabad are yet to be listed. The cumulative gross non-performing assets (NPAs)—loans that do not yield returns—of 25 listed public sector banks stood at ₹4.07 lakh crore as on December 31, 2015,

LOSING VALUATION

A 16.5% fall in the banking index over the last 16 months has brought down the valuation of listed PSU banks



*To 52%; **For others, average stake and market price have been used

higher than their total market value of ₹2.9 lakh crore.

A drop in market valuations also means a number of these PSBs would find it difficult to access the capital market to raise funds. Instead, most of them would have to depend on infusion from the government.

Finance minister Arun Jaitley

while presenting the budget in February, had announced a capital infusion of ₹25,000 crore into banks in 2016-17. A similar sum was infused in 2015-16.

"Banks should choose the time (for hitting the market) so that the exercise does not turn fruitless," said Soumya Kanti Ghosh, chief economic adviser, SBI.

RBI TAKING STEPS TO AID BANKS

MUMBAI: Reserve Bank of India (RBI) governor Raghuram Rajan said on Thursday that the health of the country's lenders needed to be improved, adding the central bank was taking steps in that direction.

Rajan also described the questioning of the legitimacy of entrepreneurial wealth of self-made people as a dangerous trend, even as reports said that more than 500 rich Indians built offshore tax haven holdings. "People should be given opportunities to safeguard the legitimacy of wealth," he said. **HTC**