

Govt Looks to Offload 5-10% in Some PSBs

Roadmap for banks with 80%+ govt stake

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ET EXCLUSIVE

Banking on Profits

PSU banks post profit of **₹34,774 cr** in Q1 of FY24

Profits crossed **₹1 lakh cr** in FY23

GOVT STAKE (%)

Punjab & Sind Bank	98.25
IOB	96.38
UCO Bank	95.39
Central Bank of India	93.08
Bank of Maharashtra	86.46
Bank of India	81.41

■ **Small Finance Banks may Switch on M&A Mode** ▶▶ 6

New Delhi: The government is considering the divestment of 5-10% stake in public sector lenders in which it currently holds over 80% equity.

A detailed roadmap is expected to be firmed up soon, said people with knowledge of the matter. Government ownership exceeds 80% in six state-run banks — Bank of India, Indian Overseas Bank, Punjab & Sind Bank, Bank of Maharashtra, Central Bank of India and Uco Bank.

Higher Share Prices ▶▶ 6

Higher Share Prices

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The government is keen to take advantage of the sharp rally in share prices of public sector banks (PSBs) that are riding on much-improved financial performance and fundamentals.

The stake sale can be conducted through the offer-for-sale route for lenders that are not inclined toward a rights issue, said people aware of the deliberations. In case banks need capital, then a follow-on public offer can be explored — the government will divest some stake and the lender will issue fresh equity in the same proportion.

“Banks will be submitting their capital-raising plans, and based on those assessments, a roadmap may be drawn up for each lender,” said an official, adding that the timing of these issues will depend on market conditions and could spill over to the next fiscal year.

In the past year, the Nifty PSU Bank index has yielded 34% against a 6.9% rise in the Nifty Private Bank Index. The benchmark Nifty 50 was up 6.4% over this period. On Monday, the Nifty PSU Bank index rose 2.64%, as the Nifty 50 dropped 82 points, or 0.42%, to close at 19,443.55.

A 10% stake sale in the Bank of India, the biggest of the six, can fetch nearly Rs 4,400 crore at current market value. The government owns 81.4% in the bank.

PRIVATISATION ON COURSE

The privatisation plans of the two state-run banks identified for this exercise will continue in parallel and will not be impacted by these small stake sales, said another official. “The privatisation plan for two PSBs can still be pursued if the government holding comes down by 5-10 (percentage points). There is no conflict between the two,” said another official.

The government is also looking to exit from IDBI Bank, now categorised as a private sector lender.

Finance Minister Nirmala Sitharaman had announced the privatisation of two state-run banks as part of the government’s disinvestment programme in her February 2021 budget speech. Subsequently, in April 2021, Niti Aayog recommended the privatisation of two state-run banks to the disinvestment department. The Central Bank of India and Indian Overseas Bank were reportedly shortlisted, but no final decision was taken.