

## PSB SHAREHOLDING

# Public float deadline may be relaxed

**BANIKINKAR PATTANAYAK**  
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**AS DISCUSSIONS ON** the merger of some public-sector banks (PSBs) pick up pace, seven PSBs, especially United Bank of India, could miss the August deadline to meet the 25% public float norm. So the finance ministry may request capital markets regulator Securities and Exchange Board of India to extend the deadline for the PSBs, sources told *FE*.

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As of end-March, the government held more than 75% in seven PSBs — United Bank of India, Indian Bank, Bank of Maharashtra, Central Bank of India, Punjab and Sind Bank, Indian Overseas Bank and UCO Bank. If the merger of some of these banks is effected, as is speculated, the government's shareholdings in the larger entities may change. However, any such merger will take time to be implemented. Given the fact that some of these PSBs are already reeling under toxic assets and also need capital infusion this fiscal, the possibility of the government's shareholding in them being trimmed to the desired level by August looks bleak.

"We have to see how much the government owns in the larger banking entities after consolidation. So, while efforts will be made to comply with the Sebi norms, at least in some cases the chances of a delay can't be ruled out. This is because consolidation can be a time-consuming process. In such a case, Sebi may be requested to give some relaxation to these PSBs," said a senior government official.

According to norms, the government's stake in public-sector units should not be more than 75% by August 2017.

While discussions are on about the possibilities of merger of some of the PSBs, speculation is rife about United Bank of India and UCO Bank being merged with bigger entities. If implemented, the merger could alter the government's shareholding pattern in future in some of the PSBs. The government held as much as 85.23% in United Bank and 76.67% in UCO Bank as of end-March. The government has also announced a Rs 10,000-crore capital infusion in some of these PSBs in 2017-18, following which the government's shareholding in these banks could rise further. Even shareholdings in some of the other banks, which are already close to 75% (in Bank of India, for instance, the government's shareholding is as high as 73.72%) could breach the ceiling after receiving capital infusion again in the current fiscal.

Apart from a public offer, the government has been contem-

plating other options, including selling stakes to institutions like Life Insurance Corporation, to bring down its shareholding.

In 2014, the government had notified rules for a minimum 25% public shareholding in listed state-run companies. It was aimed at promoting a wider investor base in listed state-run companies and boosting the government's plan to raise funds from disinvestment. Prior to this move, listed PSUs were mandated to have at least a 10% public holding, whereas listed non-PSUs were asked in June 2010 to have at least a 25% public shareholding within three years.