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Dena Bank to raise equity, slash govt stake to 52%

To issue basel III compliant bonds for Rs 2,500 cr

BS Reporter | Mumbai
December 4, 2015 Last Updated at 00:21 IST

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Dena Bank plans to raise equity capital by issuing new shares and pare the government holding from 65 per cent to 52 per cent.

The government had infused capital worth Rs 407 crore in the public sector lender in the September 2015 quarter. The bank's shares closed nearly flat when compared with its previous close, at Rs 43.45 apiece on the BSE on Thursday.

DENA BANK

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BSE 38.05 -0.10 (-0.26%)

NSE 37.95 -0.10 (-0.26%)



The bank did not specify the timing of the proposed equity share offering. It plans to raise capital worth Rs 2,500 crore through Basel III -compliant bonds (Tier-1 and Tier-2).

The bank's board of directors gave the nod for capital-raising plans at its meeting on Thursday. It would raise additional Tier-1 capital (AT-1) up to Rs 1,500 crore in one tranche or more, the bank informed the BSE.

The mid-sized bank would also raise up to Rs 1,000 crore through Tier-2 bonds in one tranche or more. The lender's capital adequacy was 11.22 per cent, with Tier-1 capital of 8.02 per cent, at the end of September 2015. Tier-2 capital was 3.2 per cent.

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Last month, rating agency CARE had downgraded Dena

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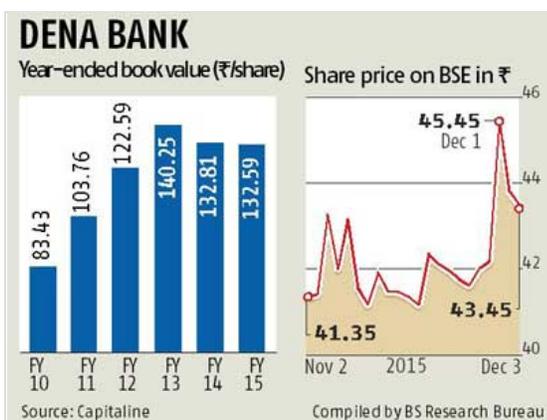
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Bank's Basel III-compliant Tier-2 bonds (Rs 800 crore) to AA from AA+ and AT-1 bonds (Rs 1,000 crore) from AA- to A+.

The rating revision factors in significant deterioration in asset quality and profitability parameters. The ratings continued to factor in the majority ownership by the government, expectations of future capital support, its long track record of operations and average capitalisation levels, CARE said.

The continued ownership and support from the government, capital adequacy, asset quality and profitability are the key rating sensitivities.



Deceleration in interest income growth, moderate rise in operating expenses, lower other income compared to the previous year, and rise in credit costs have together affected its profitability.

The bank's gross non-performing assets stood at Rs 5,282 crore (6.84 per cent) and the restructured book was Rs 10,379 crore as at the end of September 2015.

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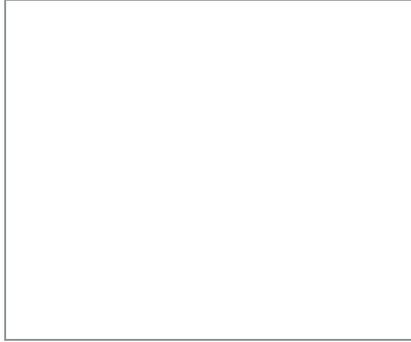
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