

Business Standard

Submit plans for fund raising: Govt to PSU banks

Under Indradhanush roadmap announced by the ministry last year, the government will infuse Rs 70,000 crore in PSBs over 4 years

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Having announced capital infusion of Rs 22,915 crore in PSU banks, the Finance Ministry has asked them to submit plans for raising resources through markets, including public offers and sale of non-core assets.

"With the infusion, the financial strength of the banks will get a boost. This can be then leveraged by the banks to raise funds from the markets which is looking up," sources said.

Banks were advised to submit funds raising from market at a meeting of chief financial officers of public sector banks (PSBs) with senior finance ministry officials to discuss the capital allocation recently.

Under Indradhanush roadmap announced by the ministry last year, the government will infuse Rs 70,000 crore in PSBs over 4 years while they will have to raise a further Rs 1.1 lakh crore from the markets to meet their capital requirements in line with global risk norms Basel-III.

"Improved valuations coupled with value unlocking from non-core assets as well as improvements in capital productivity, will enable PSBs to raise the remaining Rs 1,10,000 crore from the market," Indradhanush plan said.

The government is committed to making extra budgetary provisions in FY'18 and FY'19, to ensure that PSBs remain adequately capitalised to support economic growth, it said.

According to sources, 75% of the announced allocation will be disbursed immediately while the balance will be linked to the banks' performance.

Out of the Rs 22,915 crore, State Bank of India (SBI) will get Rs 7,575 crore, followed by Indian Overseas Bank (Rs 3,101 crore) and Punjab National Bank (Rs 2,816 crore).

The other lenders, which have received capital infusion are Bank of India (Rs 1,784 crore), Central Bank of India (Rs 1,729 crore), Syndicate Bank (Rs 1,034 crore), UCO Bank (Rs 1,033 crore), Canara Bank (Rs 997 crore), United Bank of India (Rs 810 crore), Union Bank of India (Rs 721 crore), Corporation Bank (Rs 677 crore), Dena Bank (Rs 594 crore) and Allahabad Bank (Rs 44 crore).

The infusion will boost the government's shareholdings in the banks, which have been under-capitalised compared with their private peers because of restrictions on their ability to sell equity to raise money.

The average Capital Adequacy Ratio (CAR), or the ratio of a bank's capital to its risk, for public sector banks stood at 11.6% as of March 31, lower than 13.2% for banking system as a whole.

Basel-III regulations provide for bank to have a minimum capital ratio of 9% by March 31, 2019.