

Share swap ratios in focus as banks move ahead with mergers

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Valuers of each bank will work with others merging with it to arrive at the ratio

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MUMBAI : At least seven of the [10 public sector banks](#) slated for merger have invited independent experts to determine their share swap ratios, according to documents reviewed by *Mint*.

These include Allahabad Bank, United Bank of India, Oriental Bank of Commerce, [Punjab National Bank](#), Union Bank of India, Canara Bank and Syndicate Bank.

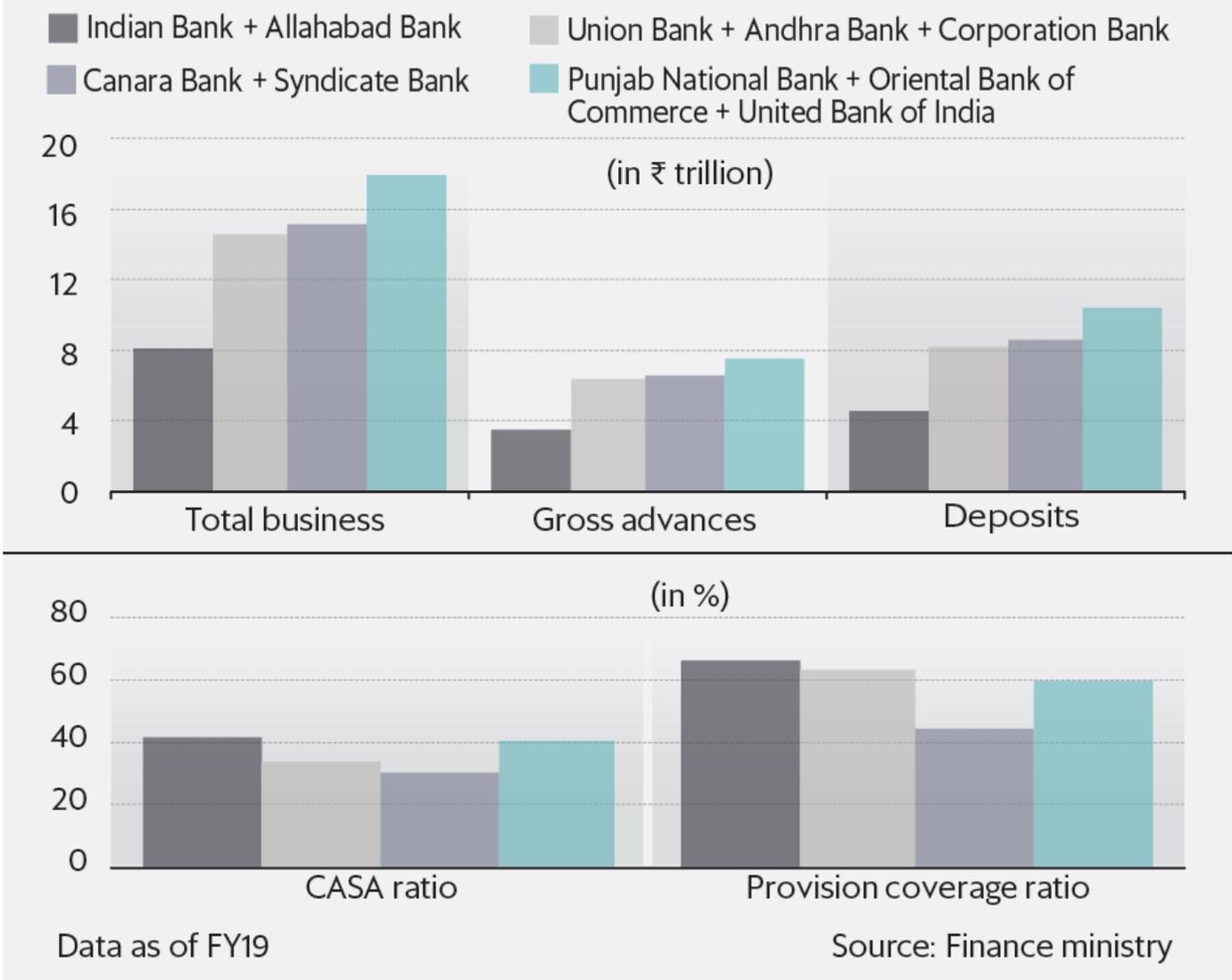
The valuers of each bank will work with others merging with it to arrive at a ratio. The share swap ratio is the ratio at which an acquirer offers its own shares in exchange for the target company's shares during a merger or acquisition.

In the case of [Allahabad Bank](#), the valuer appointed by it will recommend a ratio and work with independent valuers appointed by Indian Bank to gain comfort on the valuation made by their valuer and sign a joint swap ratio report.

"The valuer must adopt all market prevalent practices/principles for arriving at the valuation (including principles specified by the Reserve Bank of India and the ministry of finance), and must submit a joint report along with the valuer of Indian Bank, indicating the swap ratio for the proposed amalgamation. Consequently, the valuer would be required to issue swap ratio reports," showed Allahabad Bank's request for proposal from valuers put up on its website.

Big bank consolidation

PNB's merger with OBC and United Bank will make it India's second-largest bank.



(Graphic: Sarvesh Kumar Sharma/Mint)

According to the merger plan announced by finance minister [Nirmala Sitharaman](#) in August, Punjab National Bank will merge with Oriental Bank of Commerce and United Bank of India with business totalling ₹17.95 trillion to make it India's second-largest bank. The other merger will be between Canara Bank and Syndicate Bank, which will make the country's fourth-largest bank, with ₹15.20 trillion in business.

Also, Union Bank of India will be merged with Andhra Bank and Corporation Bank to build India's fifth-largest public sector bank with ₹14.59 trillion in business. Indian Bank will be merged with Allahabad Bank to make India's seventh-largest state-run bank with business of ₹8.08 trillion.

Canara Bank's request for proposal said it plans to engage reputed entities to provide independent valuation service to determine swap ratios for the proposed amalgamation.

In the recently concluded merger of Bank of Baroda with Dena Bank and Vijaya Bank, shareholders of Vijaya Bank and Dena Bank got 402 and 110 equity shares, respectively, of BoB for every 1,000 shares they held.

In April 2017, State Bank of India (SBI) merged five of its subsidiaries—State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Travancore, State Bank of Hyderabad and State Bank of Patiala—and Bharatiya Mahila Bank with itself. The move, which made SBI one of the world's top 50 large banks in terms of assets, saw 4,000 employees from SBI and the associate banks opting for voluntary retirement.

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