THE ECONOMIC TIMES

Tue, 14 May-19; Economic Times - Mumbai; Size : 141 sq.cm.; Circulation:220500; Page : 12

After Govt Funds, PSBs Weigh QIPs to Raise Capital

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Kolkata: After a significant capital infusion by the government over the last few years, the state-owned banks are now looking to hit the capital markets as they get optimistic about selling the turnaround story after three years of bad loan clean-up. Qualified institutional placements (QIP) may be the most preferred choice for the lenders as they are mandated to bring down government holding to below minimum 75% in two years' time.

The size of QIPs by state-owned banks could be in the range of ₹19,000-32,000 crore, rating firm Icra told **ET**.

"A large portion of which could be driven by the State Bank of India (about 40-50%), while the balance QIP will be by other public sector banks (PSB). Many have already taken the board approvals to raise equity capital in their recent results or earlier in this regard," said Anil Gupta, Icra's vice-president and sector head for financial sector ratings.

FUND RAISING

A large portion could be driven by SBI (40-50%), while the balance QIP will be by other PSBs

ANIL GUPTA
Vice-president, Icra

Allahabad Bank has announced a target of ₹1,200 crore capital raising sometime between August and October. United Bank of India is contemplating raising about ₹800- 1,000 crore in QIP. Bank of Maharashtra is aiming ₹3000 crore by way of either preferential allotment to government or by way of QIP/rights issue/ follow-on public offer.

Allahabad Bank's chief executive officer SS Mallikarjuna Rao said, his bank is keeping the QIP target modest at 8% of its market capitalisation, anticipating stiff competition from several other lenders exploring the similar options.

Government raised its holding in many banks such as Allahabad Bank, UCO Bank and United Bank of India to above 90% today with multiple capital infusions in the last few years to offset the impact of spiralling bad loans. Banks under RBI's Prompt Corrective Action framework adjusted the government capital against loan loss provisions to reduce net NPA ratio below 6%.