PSBs to raise ₹25K cr from equity mkt

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Public sector banks (PSBs) have secured approval from the finance ministry to raise ₹25,200 crore in the current financial year (2024-25) from the equity market, according to an internal document reviewed by *Business Standard*.

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The move will help PSBs fund their growth and meet the regulatory requirement of 25 per cent minimum public shareholding (MPS).

So far, the PSBs have raised ₹8,500 crore through Qualified Institutional Placement (QIP) in FY25, according to data from Prime Database.

Of this, Punjab National Bank has raised ₹5,000 crore with a 3.15 per cent dilution of government stake, while the Bank of Maharashtra (BoM) has raised ₹3,500 crore. No bank has raised capital through the Offer for Sale (OFS) route so far in the current financial year. Turn to Page 6

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When a public sector undertaking (PSU) raises funds through the QIP route, the money goes to the company because it involves issuing new shares whereas in the case of OFS, the funds raised goes to the government because its shares are sold.

The document shows that BoM has the approval for raising ₹5,000 crore in the current financial year, including the ₹3,500 crore already raised with an equity dilution of 8.46 per cent.

The Union Bank of India has proposed to raise ₹6,000 crore, with an equity dilution of 3.95 per cent while the Central Bank of India is expected to dilute 4.92 per cent equity to raise ₹3,200 crore.

The UCO Bank, the Indian Overseas Bank and the Punjab & Sind Bank have received the approval to raise ₹2,000 crore each in the current financial year.

"We obtain the board's approval and the approval from the Department of Financial Services for equity raising, as banks typically do this based on their needs. Banks require capital to expand their infrastructure, and some do so to fulfil the Securities and Exchange Board of India (Sebi) minimum public shareholding norms," a senior bank official of a public sector bank said.

The Sebi granted special forbearance to state-owned banks, giving them time until August 2026 to meet the 25 per cent MPS requirement.

Another senior bank official, speaking on condition of anonymity, said some banks have already fulfilled the MPS norms and are raising funds for growth.

"Equity raising helps banks maintain their Capital Adequacy Ratio. Additionally, we do not have to approach the government for additional funds. PSBs are performing well, which leads to good market performance, thereby helping in raising capital. We cannot always go to the government, so we seek permissions at one time for the whole year and raise according to the needs. However, capital raising comes at its own cost, such as the need to pay dividends and other expenses. We raise capital only when it is absolutely necessary," he added.

The Indian government owns 86.46 per cent of the stake in BOM, while 11.46 per cent needs to be sold to meet MPS requirements. At the same time, the Central Bank of India holds 93.08 per cent of the stake, with 18.08 per cent needing to be sold.

For IOB, 21.38 per cent needs to be sold, with the government holding 96.38 per cent. UCO Bank needs to sell 20.39 per cent to fulfil MPS norms, with the government holding 95.39 per cent.

Sanjay Agarwal, senior director at Care Ratings, said equity dilution by PSBs may experience some delays due to market conditions, and the success in the raising of equity will depend on share prices and the overall market sentiment.

"The government has indicated that QIP and fresh equity will be the primary routes for raising capital. Other methods such as rights issues are less common since they would dilute the bank's minimum capital and are generally not suitable for this purpose," he added.