

## 'Dilution of Govt Stake in PSBs may Fetch More than ₹58k cr'



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## 'Dilution of Govt stake in PSBs may fetch more than ₹58K cr'

NEW DELHI: The dilution of Government equity to 52 per cent in state-owned banks under the recapitalisation plan can fetch valuation much higher than the estimated potential of ₹58,000 crore, says a report.

"As PSU banks have been given over-weightage following the Government announcement of capital infusion, their valuations have already gone up. "...This would surely mean, that if the banks are able to encash the sweet spot, they can easily raise much more than ₹58,000 crore," industry body Assocham said in a report on Sunday.

It is said to the extent, the market is ready to give a premium on the PSU banks, notwithstanding some profit-taking, post October 24, the government can then tweak the projects bonds and reduce their size below ₹1,35,000 crore, bringing down the interest burden on the budget and avert pressure on the fiscal, according to the report.

Besides, the chamber also said that once the uptick in lending resumes, there would be consequent advantages by way of higher economic growth and

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tax buoyancy. Last week, the Government unveiled an unprecedented ₹2.11 lakh crore two-year road map for strengthening NPA-hit public sector banks, which includes re-capitalisation bonds, budgetary support, and equity dilution.

The programme entails mobilisation of capital, with maximum allocation in the current year, to the tune of about ₹2,11,000 crore over the next two years, through budgetary provisions of ₹18,139 crore, and recapitalisation bonds to the tune of ₹1.35 lakh crore. The balance will be raised by banks from the market by diluting Govt equity. PTI

# Recap to boost public sector bank stake sale: Assocham

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The change in market perception of public sector banks (PSBs) following the announcement on their recapitalisation has the potential to fetch the government much higher values than that envisaged in the bank support plan via stake divestment in PSBs, industry chamber Assocham said on Sunday.

"If the change of perception for PSU banks, post the mega capital infusion scheme is any indication, dilution of government equity, up to 52 per cent in the state-owned lenders can fetch valuation much higher than the estimated potential of Rs 58,000 crore as provided in the Rs 211,000 crore re-capitalisation plan," Assocham said in a report.

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**If the banks are able to encash the capital infusion programme, they can easily raise much more than Rs 58,000 cr, Assocham said in a report. Earlier this week, Centre approved massive recapitalisation plan for state-run banks worth Rs 2.11 lakh crore**

already gone up between 20-30 per cent in the first few days, even before unveiling of details of the recapitalisation bonds and the reform roadmap," the industry chamber said. "As the details emerge in the coming few weeks and months, these stocks, particularly of the larger banks can easily move up by another 30-40 per cent, taking their market capitalization commensurately high. This would surely mean, that if the banks are able to encash the sweet spot, they can easily raise much more than Rs 58,000 crore," it added. According to Assocham, once bank lending begins to pick up, there would

be consequent advantages by way of higher economic growth and tax buoyancy.

"All this financial revamp would ultimately lead to a huge benefit to the government itself, in terms of higher market capitalisation. After all, the largest shareholder would still be the government of India," Assocham Secretary General D.S. Rawat said in a statement here.

In a major bid to boost flagging economic growth and increase bank credit flow, the Union cabinet, earlier this week, accorded approval for a massive recapitalisation plan for state-run banks worth Rs 2.11 lakh crore.