

Government could raise Rs 28,600 crore if it fully exits Bank of India & IOB: CARE Ratings

Synopsis

As per CAREs analysis if the government were to bring down its stake to 51 per cent in BOI and IOB, it could together fetch the exchequer Rs 12,800.



The government currently holds 95.8 per cent in IOB, 92.5 per cent in BOM, 92.4 per cent in CBI and 89.1 per cent in BOI.

Mumbai: The Indian government could raise nearly Rs 28,600 crores if it fully exits its stake in

Bank of India

(BOI) and **Indian Overseas Bank (**

IOB NSE 19.85 %

),

CARE Ratings NSE -0.61 %

has said in an analysis. The government has announced its plans to privatise at least two public sector banks in the coming fiscal as part of the Rs 1.75 lakh crore divestment programme.

While it's is not clear whether the government will fully exit its holdings, as per CAREs analysis if the government were to bring down its stake to 51 per cent in BOI and IOB, it could together fetch the exchequer Rs 12,800. A similar stake reduction to 51 per cent in

Bank of Maharashtra NSE 19.95 %

(**BOM**) and **Central Bank (CBI)** would garner around Rs 6400 crore, as per the rating agencies analysis.

The government currently holds 95.8 per cent in IOB, 92.5 per cent in BOM, 92.4 per cent in CBI and 89.1 per cent in BOI.

“IOB has the highest equity capital while BOI has the highest market price relative to the others,” said Madan Sabnavis, chief economist at CARE Ratings. “Based on these prices, if the government were to lower stake to 51 per cent which is retention of ownership of these banks, then the amount that can be raised from these two banks would be around Rs 12,800 crore.”

If on the other hand the government gets to divesting fully from BOI and IOB, the potential amount based on these prices would be around Rs 28,600 crore, Sabnavis added.

It is not known as to which banks would be the ones that the government will looking to reduce its stake and the names of IOB, Bank of Maharashtra, Bank of India and

Central Bank of India NSE 17.96 %

have been cited in media reports.



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It is expected that the government will first start by reducing stake to 51 per cent before going below the threshold of 50 per cent so that the bank can be owned by private players as part of the privatisation plan.

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