

BoI to dilute stake in Star Union Dai-ichi Life Insurance

Our Bureau



V. R. Iyer, Chairperson & MD, Bank of India

The Hindu

Mumbai, April 24:

Bank of India will dilute its stake in Star Union Dai-ichi Life Insurance in the next few months, said VR Iyer, Chairperson & Managing Director.

Star Union Dai-ichi Life Insurance is a joint venture between Bank of India (48 per cent stake), Union Bank of India (26 per cent) and Tokyo-based Dai-ichi Life Insurance (26 per cent).

“We will definitely look at diluting our stake in our life insurance joint venture, maybe in the next few months. We have already started the process...”

“The foreign investor will take higher stake because insurance regulation has been changed. So, we are doing the valuation. From 48 per cent we will reduce our stake to 25-28 per cent,” said Iyer.

She also added that her bank will dilute its stake in other subsidiaries/associates such as STCI Finance Ltd (stake: 29.96 per cent); Indo Zambia Bank Ltd (20 per cent); and PT. Bank of India (Indonesia) Tbk (76 per cent).

“As and when we need, we will do it (stake dilution in subsidiaries/ associates),” said Iyer.

Pointing out that BoI won't require any capital now, Iyer explained that “we will be able to manage with our own internal requirements by diluting our stake in the subsidiaries (domestic as well as foreign) or by going in for monetisation of our assets, which we have taken up with the RBI.”

Even if the government doesn't give capital, the bank will be able to manage, Iyer said and added that she was confident that her bank will qualify for capital infusion in the next round.

Bank of India did not get capital infusion from the Government last financial year. The Government pumped in ₹ 6,990 crore into nine public sector banks including State Bank of India, Bank of Baroda and Punjab National Bank based on new efficiency parameters -- return on assets (ROA) and return on equity (ROE).

Efficiency parameters

Iyer said banks made a representation to the finance ministry regarding the efficiency parameters. The ministry appreciated the fact that some banks have international presence and some had geographical concentration in business.

“They (ministry) have also realised that some banks have got international presence. So, for them the criteria has to be different. They have also realised that some banks such as United Bank of India, Allahabad Bank and UCO Bank have more concentration in the Eastern part of the country. For them, naturally, the revenue scope is less. They have also appreciated this fact.

“They are now changing the criteria. They told Indian Banks' Association to look into it. IBA has worked on the criteria and sent to the ministry. They are looking into it and they will change the criteria for different class of banks,” explained Iyer.

The weightage will be different for the geography and for the mix of business (domestic and international). So, the weightage is being tweaked. The return will always be lower for internationally active banks.

“The weightage will be lower, maybe, for the banks with predominant presence in the Eastern and Northern side. We should be hearing from the ministry in two weeks time,” said the BoI chief.

(This article was published on April 24, 2015)