

# Bank merger may bring savings worth ₹10 bn

SOMESH JHA & ABHIJIT LELE  
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The proposed rationalisation of Bank of Baroda (BoB), Vijaya Bank and Dena Bank's branches is expected to bring savings of ₹10-12 billion annually, an official said.

BoB and Dena Bank have branches in the same vicinity and need rationalisation in nearly 1,000 locations.

The rationalisation of branches will lead to a reduction in manpower, a Dena Bank executive said. However, there will not be any job loss. Some employees might be transferred to other branches or utilised at new branches, he said.

Dena Bank has over 1,800 branches in Gujarat, Maharashtra and Chhattisgarh.

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## MARKET REACTION

	Sep 17	Sep 18	BSE price in ₹
Vijaya Bank	59.80	56.40	135.10
Dena Bank	15.95	19.10	113.45
Bank of Baroda			
	-7.26%	19.81%	-17.04%

### Nifty PSU Bank Index

3,056.10	-5.44%
2,890.00	

### THE TOP FIVE

Total business (in ₹ trillion)	
SBI	47.38
HDFC Bank	15.14
BoB*	14.49
ICICI Bank	10.63
PNB	10.46

Total business = Total advances+total deposits  
\*Assumed a merged bank (Bank of Baroda, Vijaya Bank and Dena Bank)  
Source: Capitaline



Dena Bank jumped 19.75 per cent to end at ₹19.10 — hitting its upper circuit.

BoB's market valuation fell by ₹57.26 billion to ₹30.01 billion on the BSE. Vijaya Bank lost ₹4.42 billion to close with a market capitalisation of ₹73.55 billion.

Credit rating agency Moody's on Tuesday said the merger of these banks would bring benefits of scale and governance. "The merged entity will require capital support from the government, otherwise such a merger will not improve their capitalisation profile," said Alka Anbarasu, vice-president at Moody's Investors Service.

BoB and Vijaya have better credit metrics than Dena in terms of asset quality, capitalisation, and profitability. The merged entity will have a market share of about 6.8 per cent by loans, according to data as of March. This will make it the third-largest lender in the system, Moody's said.

The government's Principal Economic Advisor Sanjeev Sanyal said the merger exercise was not a way to rescue banks out of the RBI's PCA. "It shouldn't be seen as rescuing PCA banks. The merger is based on commercial synergies. We are not circumventing the PCA process with the merger announcement. Merger is a parallel process for creating commercially viable entities," he said.

He added the top management of the three banks were taken on board while announcing the merger. "Wherever there is a commercially viable solution, the government will explore possibility of a merger," he said. Former finance minister Yashwant Sinha welcomed the merger of PSBs if it strengthens them.

Following approval from the respective bank boards, the proposal will move to the alternative mechanism, led by Finance Minister Arun Jaitley, for final approval. A scheme of amalgamation of these banks will be formed that will require the approval of the Union Cabinet. It will be placed before Parliament. The approval of Parliament will not be required as there is no amendment to any law.

Apprehending an adverse effect on jobs and working conditions, employees have planned an agitation against the move. C H Venkatachalam,

general secretary at All India Bank Employees Association, said there was no evidence that the merger would strengthen or make them more efficient. "We have seen the example of five associate banks merging with State Bank of India. It has resulted in closure of branches, an increase in bad loans, and reduction of staff and business," he said.

## Bank merger...

The lender has 616 branches in Gujarat and 323 in Maharashtra. BoB has 1,011 branches in Gujarat and 510 in Maharashtra, according to the banks' websites.

In a surprise move on Monday, the government announced a proposal for a merger involving an all-stock deal. The banks' boards are expected to meet in 10 days to take a call. The deal, though, is almost a certainty since the government is the majority owner.

The BoB stock plunged 16.03 per cent to end at ₹113.45 on the BSE. The shares of Vijaya Bank fell 5.69 per cent to close at ₹56.40. However, the shares of