



**KAMARAJ IAS ACADEMY**  
Only IAS Academy by Grandson of "Perunthalsivam Kamarajar"

# RBI Approves Blackstone's 9.99% Stake Acquisition in Federal Bank, Boosting Foreign Investment in Indian Banking

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The Reserve Bank of India (RBI) has approved private equity firm Blackstone's proposal to buy up to 9.99% stake in Federal Bank.

This investment will be made through Blackstone's affiliate Asia II Topco XIII Pte Ltd

## Details of the Investment

Blackstone will invest about ₹6,196.51 crore in Federal Bank.

The bank will issue around 272.97 million warrants, each convertible into one equity share at ₹227 per share (including premium).

Once fully converted, Blackstone will hold 9.99% of Federal Bank's equity and become its largest shareholder.

## Additional Rights for Blackstone

If Blackstone holds at least 5% of the bank's share capital, it can nominate a non-executive director to Federal Bank's board.

Blackstone already received approval from the Competition Commission of India (CCI) in December 2025 for this acquisition.

## Why This Matters

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The RBI's approval **reflects growing foreign interest** in India's private banking sector.

Recent major foreign investments include Emirates NBD's stake in RBL Bank and SMBC's investment in Yes Bank.

The move underscores **India's attractive long-term growth prospects** and the **regulator's supportive stance** toward foreign capital in banking.

### **Context of the Deal**

The preferential warrant issue to Blackstone was approved by Federal Bank's board in October 2025 as a capital-raising strategy.

Blackstone will pay 25% upfront when subscribing to the warrants, and the remaining 75% at conversion into equity, typically within 18 months.

This strategic investment **aims to provide additional capital, expertise, and credibility to the bank.**

### **What are Convertible Warrants?**

Convertible warrants **are financial instruments that give an investor the right to buy company shares later at a fixed price, within a specific time period.**

They are **not shares** immediately, but **can be converted into shares in the future.**

The conversion **price is fixed in advance.**

Investors usually **pay a small upfront amount first** and the **remaining amount** at the **time of conversion.**

If investors **do not convert within the time limit**, the **warrants expire.**