

25 October 2017

PSB shares surge up to 7%

Public sector bank stocks have been battered in the wake of a surge in non-performing assets and poor credit offtake in the last two years.

Bank stocks on Tuesday surged up to 7 per cent on the stock exchanges with the market seemingly getting wind of the bank recapitalisation package before the official announcement.

While the government announced the recap plan after market hours, shares of Syndicate Bank zoomed 7.12 per cent, Andhra Bank 6.95 per cent, Punjab National Bank 5.50 per cent, IDBI Bank 4.83 per cent and Allahabad Bank 4.42 per cent. Among others, Bank of India rose by 4.04 per cent, Bank of Baroda 3.84 per cent, Central Bank of India 3.80 per cent, SBI 3.56 per cent and Indian Bank 2.20 per cent.

“Banking sector led the market higher on expectations over finance minister’s announcement on recapitalisation plans for PSU banks,” said Anand James, chief market strategist, Geojit Financial Services.

The Sensex rose by 100 points to 32,607.34 on Tuesday. “The market was agog with speculation about an imminent package for PSU banks. It’s surprising that the market sensed the package before the announcement,” said a market source.

Meanwhile, the government’s Rs 2.11 lakh crore bank recapitalisation plan will help public sector banks in

managing risk and credit capital related requirements and bring in more investments, bankers and rating agencies said on Tuesday. Manish B Agarwal, partner and leader, infrastructure, PwC India, said: “Recapitalisation should enable banks to start funding private infra projects also, particularly those on hybrid annuity model. The focus on roads that connect economic centers will help ensure investments are focussed on economic returns.”

Brickwork Ratings said it expects PSU banks credit profile to improve significantly. This step should be monitored by enforcing strict conditions for banks to optimally utilise the allocated funds, have clear targets to reduce NPAs and develop strong balance sheet moving ahead, it said.

A Brickwork Ratings study had projected Rs 2 lakh crore as the required amount for capitalisation for PSBs by FY19. “Indian economy has been witnessing muted growth in the past few quarters. However, with fundamentals being strong and with a declining inflation rate, the economy needed a much awaited stimulus in the form of economic reforms,” said Vivek Kulkarni, founder managing director, Brickwork Ratings.