

November 29, 2018

PSU banks are set to receive additional Rs.42,000 Crs over Rs. 2lakh Crs.

The next tranche is said to be infused into the system in December 2018.

The asset quality of the PSUs is also showing signs of improvements but we feel it will still take a lot of time to clear.

With the recent fiasco between the government and the RBI, we feel it is better to stay away from the PSUs and continue to BUY private sector banks.

Fed Chair Jerome Powell said the Fed's policy rate is now "just below" a level that neither brakes nor boosts a healthy economy.

Back in the home country also there are many positive news like the crude falling and rupee appreciating, as a result we do not foresee any rate hikes by the RBI

## Are PSU Banks a good BUY over Pvt. Banks?

### PSU Banks to get more 42000 Crs!

Public sector banks are set to receive additional Rs.42,000 crores in capital infusion over the next four months apart from the earlier 2 lakh Crs announced by the Union government last year. The next tranche is said to be infused into the system as early as in December 2018. The development comes at a time when the Reserve Bank of India (RBI) has partially relaxed rules relating to implementation of Basel III norms. The state owned banks will receive an additional one year to meet the capital conservation buffer requirements, according to a decision taken at the central bank's board meeting last week. Banks will have to meet the capital conservation buffer norms under Basel III by 31 March 2020.

### Should we start buying PSU Bank?

In the recent times we have seen regional private sector banks and NBFC gain market share over PSUs as the PSUs continue to struggle with their elevated NPAs and weak capital position. The asset quality of the PSUs is also showing signs of improvements but we feel it will still take a lot of time to clear. Until the clearing of PSUs asset quality, we feel good quality private sector banks and NBFCs will continue to gain market share on account of its corporate governance and their aggressive working style. With the recent fiasco between the Government and the RBI, we feel it is better to stay away from the PSUs and continue to BUY private sector banks.

### Bond Yields declining

India's Bond yields fell to its lowest levels after US Fed Chair announced of its neutral stance on hiking interest rates. Fed Chair Jerome Powell said the Fed's policy rate is now "just below" a level that neither brakes nor boosts a healthy economy. This stance has led to the decline of India's bond yield as more money will now flow into the emerging markets which will directly positively impact the Banking and the NBFC sector. Back in the home country also there are many positive news like the crude falling and rupee appreciating, as a result we do not foresee any rate hikes by the RBI. As a result bond yields will remain to trade at a lower end. This will lead to improve NIMs for the NBFCs and banks as a result good quality private banks will grow faster than the weaker pie of the banking space – PSUs.

### Stocks to Buy

In the PSU space, we have BUY rating on SBI, Canara Bank and Karnataka Bank.

We remain constructive on private sector banking space like HDFC Bank, regional lending space like Federal Bank and City Union Bank and select niche NBFC players like L&T Fin, Bajaj Finance given their ability to gain market share over PSU lenders. In the PSU space, we have a BUY rating on State Bank of India, Canara Bank and Karnataka Bank.

**Research Analyst:**

Foram Parekh – Fundamental Analyst, Email: [foram.parekh@indiabulls.com](mailto:foram.parekh@indiabulls.com)

Indiabulls Ventures Limited is a SEBI Registered Research Analyst having registration number: INH100004906

**Disclosure:**

We /I,Foram Parekh,Mba, author(s) hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. We/I, also certify that no part of our/my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or Indiabulls Ventures Limited does not have any financial interest in the subject company. Also Research Analyst or his relative or Indiabulls Ventures Limited or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative Indiabulls Ventures Limited or its associate does not have any material conflict of interest.

**Disclaimer:**

This document has been prepared by Indiabulls Ventures Limited (IVL), for use by the recipient as information only and is not for circulation or public distribution. This document is published in accordance with Regulation 18 of the SEBI (Research Analysts) Regulations, 2014 & IVL research analysts have adhered to the code of conduct under Regulation 24 (2) of the SEBI (Research Analysts) Regulations, 2014. IVL researches, aggregates and faithfully reproduces information available in public domain and other sources, considered to be reliable and makes them available for the recipient through this document. However, IVL make no representations or warranties of any kind, express or implied, about the completeness, accuracy, reliability, suitability or availability, error, omissions with respect to the information contained in this document. Recipients should be aware that past performance is not necessarily a guide for future performance & value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities/financial instruments. Nothing in this document constitutes investment, legal, accounting and/or tax advice or a representation that any investment or strategy is suitable or appropriate to recipients' specific circumstances. Anything contained in, not contained in, assumed to be implied, warranted, excluded from being warranted or vaguely alluded to shall not be attributed to, blamed upon, or otherwise associated with IVL nor IVL shall be responsible, accountable, discountable, or in presence or absence thereof for any liability arising from the use of this document. IVL, its directors and/or employees doesn't accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research.

IVL directors/employees and its clients may have holdings in the stocks mentioned in the document. This report is based on technical, fundamental and derivative analysis on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals.

Indiabulls Ventures Limited : [www.indiabulls.com](http://www.indiabulls.com)

**Corporate Office:** Indiabulls Ventures Limited, Indiabulls Finance Center, Tower 1, 8th floor, SenapatiBapatMarg, Elphinstone Road (W), Mumbai – 400013.