



SBI Gains As Govt Approves Preferential Allotment



SBI share price gained during today's trade after the lender informed that it will issue shares to the government on a preferential basis. This will aid the bank meet common capital ratio (CET-1) capital requirement under Basel-III norms.

Under Secretary to the government, Surender Singh informed that the government under 5 (2) of SBI Act 1955 gave the approval to increase the paid up capital by the way of preferential

allotment of equity shares to the government of India.

As on December 20, the lender passed a special resolution for up to Rs 5,681 crore capital infusion in the bank by the way of preferential issue of equity shares in favor of the government.

Intraday on Friday, [SBI share price](#) rose 0.72 per cent to Rs 260.25 on the NSE. The stock opened at Rs. 258.50 against its previous close at Rs. 258.40.

The stock also got strength post Debt Recovery Tribunal pronounced its order on the pleas of SBI-led consortium of banks for recovery of over Rs 9,000 crore from beleaguered liquor baron Vijay Mallya in the Kingfisher Airlines case. DRT has passed the order in favor of SBI-led consortium.



The effect of demonetization still lingers

SBI mentioned that it could retain anything from 15 per cent to 40 per cent of the deposit boost it received after the government withdrew about four-fifths of the banknotes in circulation in November.

For days investors have calculated over whether the increasing bank deposits caused by the November 9 ban on high-value notes will ultimately benefit lenders. The S&P Bankex Index, which tracks 10 lenders, increased almost 4 per cent after the move, before dipping 13 per cent and has since clawed back much of that slump. Sustaining more deposits implies low cost funds that can be lend out to improve bottom line at banks.

Prime Minister Narendra Modi's sudden stunt of banning old Rs 500 and Rs 1,000 notes, a move that pulled cash-intensive businesses to a standstill and had countless Indians queuing at banks to deposit their now invalidated currencies or exchange them for new notes. The resulting liquidity surge brought funding costs down for lenders including SBI, offering them scope to cut interest rates.

SBI's low-cost deposits had surged by Rs 1.4 lakh crore post the cash ban and the lender is seeing unprecedented liquidity. While the company's loan book had contracted after the ban, advances in the year to March 31 are expected to expand as much as 9 per cent, compared with about 6.7 per cent as of December 31.



Disclaimer

The investment advice or guidance provided by way of recommendations, reports or other ways are solely the personal views of the research team. Users are advised to use the data for the purpose of information and rely on their own judgment while making investment decision. Dynamic Equities Pvt. Ltd - SEBI Investment Advisory Reg. No.: INA300002022

Disclosure

Dynamic Equities Pvt. Ltd. is a member of NSE, BSE, MCX SX and a DP with NSDL & CDSL. It is also engaged in Investment Advisory Services and Portfolio Management Services. Dynamic Commodities Pvt. Ltd., associate company, is a member of MCX & NCDEX. We declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered. SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advise letters or levied minor penalty on for certain operational deviations.

Answers to the Best of our knowledge and belief of Dynamic/ its Associates/ Research Analyst: DYNAMIC/its Associates/ Research Analyst/ his Relative:

- Do not have any financial interest / any actual/beneficial ownership in the subject company.
- Do not have any other material conflict of interest at the time of publication of the research report
- Have not received any compensation from the subject company in the past twelve months
- Have not managed or co-managed public offering of securities for the subject company.
- Have not received any compensation for brokerage services or any products / services or any compensation or other benefits from the subject company, nor engaged in market making activity for the subject company
- Have not served as an officer, director or employee of the subject company

Article Written by
Madhurima Chowdhury