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SPOTLIGHT

Defence Deal



Modi govt to acquire 145 M-777 howitzers from US

Defence ministry sources said that the cabinet committee on security, chaired by PM, has cleared the acquisition of 145 M-777 ultra-light howitzers.

[Indian Navy to get additional P81 submarine hunter](#)

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Banks need \$140 billion to comply with Basel III norms by FY19

By PTI | Updated: Dec 10, 2015, 05.06 PM IST [Post a Comment](#)

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NEW DELHI: Banks in India will need about USD 140 billion to ensure full compliance with the Basel III norms by 2018-19, [Fitch Ratings](#) said today.

It also said that they are unlikely to see a significant improvement in the credit growth unless capital and bad loans related issues are resolved.

The government's expected capital injection of around USD 11 billion into its banks is critical but may be insufficient to support sustainable lending growth to achieve Basel III requirements and cushion against balance-sheet stress, all at the same time, Fitch said.

In the '2016 Outlook: Indian Banks', it said: "State-owned banks, which carry a disproportionate share of the stressed assets, have little choice but to look at strengthening balance sheets if they are to revive profitability, internal capital generation and equity valuations.

"Fitch estimates that the banks would require around USD 140 billion in total capital to ensure full Basel III implementation by FY19," it said.

Banks's stressed assets ratio should improve marginally in the current fiscal (FY16) from 11.1 per cent in the previous fiscal, it added.

"Although there is still some time before a reversal in absolute NPLs (non-performing loans). New NPL growth has started to slow down across many banks, but resolution of the existing large stock will be a slow and protracted process," it said.

"Therefore, credit costs are likely to remain high and will continue to be an overhang on earnings growth for a longer period-unless macroeconomic recovery and speedier reforms aid faster asset resolution or banks conduct greater capital-raising to push growth, or both."

Fitch expects credit growth to be moderately higher than 9.7 per cent in financial year 2015 (FY15, to end-March 2015).

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Banking Finance

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It said the assumption for growth in advances is based on the expectation of an improvement in real GDP growth outlook which is likely to be at 7.5 per cent in FY16 and 8 per cent in FY17, coupled with government reforms will be able to rejuvenate investment confidence and stimulate demand.

However, risk-aversion and high corporate leverage are issues, while state banks are also constrained due to weak capital buffers and balance-sheet stress, it said.

"Any sharp recovery in credit fundamentals appears unlikely with capital and asset quality-related challenges acting as impediments to growth," it said.

The report said the large private banks are distinctly superior to their state-owned counterparts due to stronger capitalisation, high internal capital generation and robust pre-provision profitability.

Fitch said speedier resolution of stalled projects is essential for any meaningful revival in private-capital investment and credit growth.

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