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# Fitch says that banks stressed asset to impact their equity valuation

By [Sangita Mehta](#), ET Bureau | Updated: Nov 26, 2015, 07:47 PM IST [Post a Comment](#)

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MUMBAI: Rating company Fitch has said that capital-raising will be the key for Indian banks as lenders look to revive credit growth in support of a recovering GDP outlook. In a report issued on Thursday Fitch said that there will be challenges for state-owned banks in particular, given weak core capitalisation and expectations of slow earnings recovery due to high credit costs.

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The report said that although the asset-quality pressures gradually stabilise, [PSU banks](#) large stressed asset stock should remain an overhang on banks' equity valuations for the foreseeable future.

Fitch said that even as 'state's expected capital injection will provide a [critical buffer](#) for the near term...banks will have to conduct much more capital raising to pursue sustainable growth rates while achieving Basel III requirements and cushioning balance-sheet [stress](#) at the same time.

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The stress loans of PSU banks have been in double digit as many corporates have over leveraged coupled with slowdown in the economy.

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