

ICICI Bank's bad-loan provisioning balloons

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Chanda Kochhar, MD and CEO, expects the bad loan provisioning to fall significantly in the next quarter MEETA AHLAWAT

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Alarm bells ring as gross NPAs double year-on-year

Mumbai, November 7:

In what could sound alarm bells in the already sluggish banking industry, ICICI Bank Ltd on Monday reported a rise in the proportion of bad loans to perhaps the highest in 10 years.

While gross non-performing assets (GNPAs) more than doubled year-on-year from ₹15,858 crore as at September-end 2015 to ₹32,179 crore, provisions rose sharply to ₹7,082 crore in the second quarter, compared to ₹2,514 crore in the first and ₹942 crore in the year-ago period.

In addition, the net interest income (the difference between interest earned and interest expended) was flat at ₹5,253 crore in the second quarter as against ₹5,251 crore last year.

Chanda Kochhar, Managing Director & CEO of ICICI Bank, declined to give any guidance on the percentage of loans included in the watchlist that are likely to slip into the 'bad loan' category.

The bank's watch list of potentially troubled loans had declined to about ₹32,500 crore from about ₹38,700 crore at the end of June.

"We expect a significant further reduction in this portfolio in the next six to nine months," Kochhar said on a conference call, referring to clients the bank considers below investment-grade.

Analysts said the outlook for the bank looks bright as the loan book clean-up should help the bank look at growth next year.

'Positive sign'

"In absolute terms, slippages look high, but the good news is that 80 per cent of the slippages has come from the watchlist and restructured book," said Siddharth Purohit, Senior Equity Research Analyst, Angel Broking.

"The fact that slippages from the regular loan book have been contained is a positive sign and key development for the quarter. While the slippages and credit cost will remain high over the next few quarters, it appears that the bank will largely be able to clean up the book and start looking at regular growth from 2HFY18," he added.

Gains realised from selling a part of its stake in its life insurance subsidiary and deferred tax adjustment helped ICICI Bank report a marginal increase in net profit at ₹3,102 crore in the July-September quarter. India's largest private sector bank had recorded a net profit of ₹3,030 crore in the year ago period.

Thanks to the realisation of a gain of ₹5,682 crore on selling 12.63 per cent in its life insurance subsidiary ICICI Prudential Life via an IPO, the bank's non-interest income jumped to ₹9,120 crore (₹3,007 crore in the year-ago quarter).

The bank also got the benefit of higher deferred tax adjustment (DTA) of ₹1,247 crore, which helped prop up the profitability in the reporting quarter. The bank saw a DTA of ₹214 crore in the year-ago quarter.

GNPAs increased by ₹4,985 crore in the reporting quarter. GNPAs as a percentage of gross advances shot up to 6.82 per cent as at September-end 2016 from 3.77 per cent as at September-end 2015.

Shares of ICICI Bank were up 3.36 per cent at ₹278.75 on the BSE on Monday.

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