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Six PSBs to submit recovery plans

Finance ministry asks lenders for specific programme

Abhijit Lele | Mumbai

November 25, 2015 Last Updated at 00:35 IST



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Stepping up the drive to clean up the balance sheets of public sector banks (PSBs), the finance ministry has asked for specific recovery plans from six lenders, including Bank of India (BoI), Indian Overseas Bank (IOB) and UCO Bank.

A PSB executive said slippages continue to be higher, with a bloating kitty of impaired loans. While dwelling on the issue of asset quality, the ministry is looking at how each bank plans to tackle the situation.

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The other lenders which require special focus are IDBI Bank, Bank of Maharashtra and United Bank of India, said a top PSB executive aware of the proceedings of the meeting the finance minister had with PSB chiefs on Monday.

Finance ministry data showed asset quality remained a concern. For PSBs with impaired assets (gross non-performing assets or NPAs plus restructured loans), NPAs rose from Rs 6,01,076 crore at the end of the quarter ending September 30, 2014, to Rs 7,00,622 crore in the

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corresponding quarter this year, which was nearly 12.56 per cent of the total advances. State Bank of Mysore and State bank of Travancore reported a decrease in impaired assets from last year.

Gross NPAs of PSBs increased by 25.19 per cent to Rs 3,14,230 crore in September 2015 from Rs 2,51,011 crore a year ago. Banks that reported a decrease in the September 2015 quarter over last year included State Bank of India, State Bank of Hyderabad and Union Bank of India.

TRACKING BAD LOANS		
Q2 results effect – Banks under special focus (₹ crore)		
Bank name	Impaired loans	Fresh slippage
Bank of India	49,201	11,642
IDBI Bank	30,783	2,987
Indian Overseas Bank	35,146	7,283
Bank of Maharashtra	15,131	2,933
UCO Bank	21,868	3,129
United Bank	15,278	666

Source: Finance ministry data

Banks have stepped up provisioning for impaired loans. This was reflected in the improved provision coverage ratio (PCR). It went up from 50 per cent at the end of the July-September or second quarter in 2014-15 to 55 per cent at the end of the corresponding period in 2015-16, the ministry said.

Bol had posted a net loss of Rs 1,126 crore in the second quarter of FY16 on huge provisions for bad loans and employee pensions. It had

posted a net profit of Rs 786 crore in the corresponding quarter last year. The provision coverage ratio was 55 per cent. CARE Ratings had downgraded Bol's Tier-II bonds from 'AAA' to 'AA+', citing deterioration in asset quality and a decline in profitability.

Chennai-based IOB is already under corrective action plan. It posted a net loss of Rs 550.83 crore in the second quarter of FY16, up from a loss of Rs 245.51 crore in the corresponding period last year.

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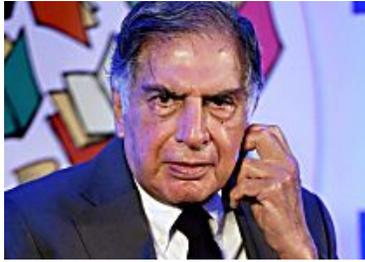
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