

No let-up in asset quality pressure

Radhika Merwin

1

Best Free Checking Account

2

Top 10 College Majors

3

Latest Presidential Polls

More than 60% of the addition to bad loans on account of adhering to RBI's recent directive

BL Research Bureau:

For ICICI Bank, that has been witnessing increasing pressure on asset quality through fiscal 2015, bad loan troubles seem far from over.

During the December quarter, the bank added Rs. 6,544 crore to the bad loan book, a sharp rise from about Rs. 2,200 crore during the same period last year.

More than 60 per cent of the additional slippages during the quarter have been on account of recognition of bad loans, in accordance with the RBI's assessment of the stressed accounts in the banking system.

The RBI has asked all banks to declare certain accounts as NPAs even if they are not delinquent. While this has impacted all banks, by the end of the earnings season, some banks would have taken a larger hit than others. ICICI Bank may just be one of them.

The Rs. 4,000-odd crore addition to bad loans, according to the RBI's assessment, is far higher than that recognised by its peer Axis Bank, which also has a higher exposure to stressed sectors.

Axis Bank, which declared its result last week, added about Rs. 1,000 crore to its bad loan book as a result of adhering to the RBI's directive. As a matter of prudence, it accounted for the entire stressed accounts indicated by the RBI in the December quarter itself.

For ICICI Bank though, the pain will continue in the March quarter as well, as the management indicated the possibility of a similar addition to the bad loan book.

Most of the accounts that were recognised as bad loans this quarter pertain to the steel sector.

The management has indicated that in the March quarter, stress can come from some accounts in the power sector. The bank currently has about 4.5 per cent and 5.5 per cent exposure to the steel and power sectors, respectively.

As a result of the spike in bad loans, ICICI Bank's provisioning went up to Rs. 2,844 crore in the latest December quarter from Rs. 979 crore last year. This impacted profit growth for the quarter, which was muted at 4.5 per cent.

The substantial increase in slippages from restructured assets has also been a concern in recent quarters. From Rs. 292 crore during the June quarter, slippages had shot up to Rs. 931 crore in the September quarter. During the December quarter, slippages spiked to Rs. 1,355 crore.

Core business steady

But all was not gloom and doom for the leading private bank. ICICI Bank performed favourably on other counts when compared to its peers.

The bank's 20 per cent growth in overall loans (domestic) was at par with Axis Bank's 21 per cent growth during the December quarter. HDFC Bank delivered a higher 25.7 per cent growth in loans.

ICICI Bank's retail loans grew 24 per cent in the December quarter, against Axis Bank's 27 per cent and HDFC Bank's 30 per cent growth in the segment.

ICICI Bank's margin performance has also been stable. The bank's net interest margin was flat at 3.5 per cent *vis-à-vis* the September quarter.

The share of low-cost deposits (CASA) remains healthy at 45 per cent as of December 2015.

(This article was published in the Business Line print edition dated January 29, 2016)

MORE FROM BUSINESS LINE

Cash crunch echo: brace for poor hikes,
even pay cuts

Tatas line up big guns in 'war room'

Ban anonymous donations above ₹2,000 to
parties: EC

Printable version | Dec 19, 2016 5:45:36 PM | <http://www.thehindubusinessline.com/todays-paper/tp-money-banking/no-letup-in-asset-quality-pressure/article8164554.ece> © The Hindu Business Line