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Public Sector Banks risk losing 'highly safe' tag sans additional capital

By ET Bureau | Updated: Feb 11, 2016, 11.28 AM IST

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MUMBAI: India's [public sector banks](#) will lose their 'highly safe category tag' if the government does not step in and provide more capital than what was committed under the [Indradhanush plan](#), [Crisil](#) said.

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Intensifying asset quality problems at public sector banks have the potential to impair their credit risk profiles and necessitate significantly higher capitalisation either through government infusion or relaxation of regulatory capital norms, according to the credit ratings firm.

"Deterioration in asset quality in the first nine months of the current fiscal has been faster than expected for various reasons such as the severe downturn in global commodity prices, inability of the leveraged players to sell assets, and the proactive identification of stressed assets as part of [RBI's](#) asset quality review," it said in a report.

Under the Indradhanush plan, the government proposed to make Rs 70,000 crore available to state-owned banks over four years ending March 2019 to meet part of their extra capital requirements.

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