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Stressed assets worth as much as Rs 2.1 lakh crore could become non-performing by March 2017, CRISIL has said, reports fe Bureau in Mumbai.

By: [FE Bureau](#) | Mumbai | Published: March 12, 2016 1:27 AM

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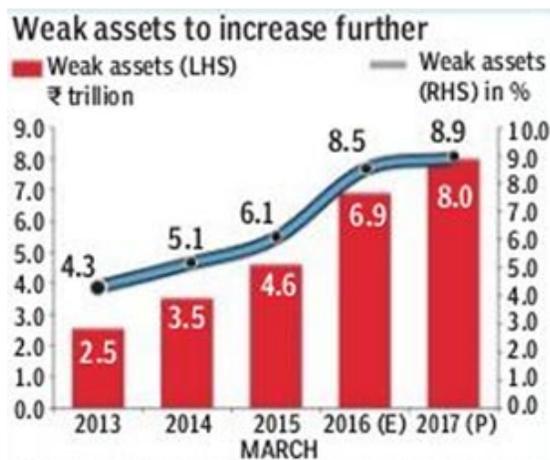
“The spike in provisioning will neutralise the profits of a number of PSBs — it will equal pre-provisioning profit in both the current and next fiscals for public sector banks as a whole. Close to 7% of the PSB loan book will cease to generate income between fiscals 2015 and 2017 because of slippage to NPAs,” the rating agency said, adding that as a proportion of total assets, provisions could touch a high of 1.6% in this fiscal year itself.

Given the high level of slippages and fresh provisioning for accounts in which strategic debt restructuring has been invoked, provisions are expected to remain high in the next financial year. “Of the 26 PSBs, as many as nine-10 could report losses this fiscal and the next, while others would post low profits,” CRISIL said in the report.

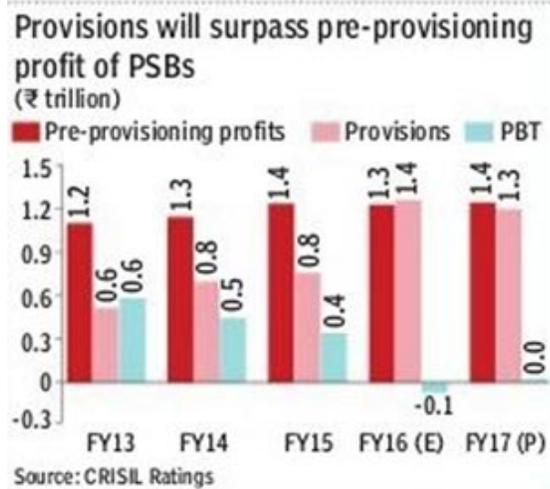
In the first half of FY16, the quantum of corporate debt downgraded exceeded the quantum of debt upgraded in the same period, a study by the agency revealed.

As of today, high-risk and vulnerable sectors together account for 24% of all bank loans in the system. Q

“While deterioration into non-performing assets (NPAs) was high over the first half of the current fiscal, the pace increased further because of the asset quality review undertaken by the Reserve Bank of India (RBI) in the third quarter of the year,” CRISIL said. An estimate of stressed loans to be identified as NPAs by banks in the third and fourth quarter of the current fiscal year alone is approximately Rs 1.5 lakh crore.



If this happens, by the end of FY17, around 9% of all assets in the banking system would be “weak”. In the case of public sector banks, which collectively have a significantly larger exposure to bad loans compared to private banks, this number could be as high as 11.3%. Banks could, therefore, see a contraction in their net interest margins (NIMs) as a result of the relatively higher provisions they would need to make.



CRISIL expects public sector banks’ NIMs to fall by around 10 basis points over the next fiscal year. In fact, the rating agency said that the provisioning cost for public sector banks could shoot up so high that they would stand at par with the banks’ pre-provisioning profit or even surpass it.

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