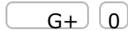


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ICICI Bank on Thursday reported a 33% sequential rise in bad loans in the third quarter and provisions of Rs 2,844 crore.

In an interaction with reporters, the bank's managing director and CEO Chanda Kochhar warned that the bad loan pressure will continue in the March quarter as well.

What are the reasons behind the increase in bad loans?

The Reserve Bank of India ([RBI](#)) had undertaken a review of asset quality stress, and asked banks to review certain loan accounts and their classifications over two quarters — December and March. In view of that, we have taken into account the additions which were required for December 2015 and given that there could be a similar amount in the March quarter as well. The increase really is mainly on account of loans to steel companies. Some cases related to the power sector could be there in the March quarter.

Almost the entire increase in provisions is because of this. We will have to watch slippages. There is no real pipeline for restructuring. As far as the economy is concerned, the macro economic indicators like the current account deficit or the relative

stability in exchange rate, the foreign exchange reserves and the control over inflation are very strong compared to the rest of the world. 

Going ahead, do you see leveraged companies facing more difficulties?

On the ground also, we have seen some positive activity. For instance, increase in coal and iron ore production and rise in the sales of commercial vehicles. Some SMEs have started receiving orders on account of railway and highway contracts being awarded. So, in that sense, there are some parts of the economy really ticking. Besides, the retail side continues to be strong. But I think delayed cashflows faced by larger projects of the larger groups remain a challenge. This is coupled with the fact that commodity prices have been so low. That has caused cashflow pains for some of the leveraged groups.

Where do you see your bad loans in Q4?

The RBI's review exercises will be spread across two quarters; therefore, it can be a similar amount of provisions in the next quarter as well. On a gross basis, Rs 6,544 crore of loans slipped in the third quarter and almost 60% of it was because of RBI's reclassification. Almost the entire provision of Rs 2,844 crore was owing to bad loans in the December quarter. In case of net interest margin (NIM), we will have to watch it because now that the marginal cost of funds guidelines have come and there will be non-recognition of income on some of these accounts. So, we will have to watch how the NIM flows.

Where did corporate loan growth originate in Q3?

The demand is from better-rated companies for refinancing their debt. So, we have also grown in that segment. As of now, we do not see a pick-up in private investments, but with the government spends we will see a positive effect on the smaller companies. Our focus has been to look at refinancing of highly rated companies and through that we have achieved a very healthy growth of 15%. We have refinanced less than Rs 500 crore through the 5/25 window in the third quarter and the bank has restructured loans through the RBI strategic debt restructuring scheme worth Rs 1,600 crore.