

## Bad loans of private banks balloon 62.5% in Q4

Priya Kansara

1

Startup Business Loans

2

Unsecured Personal Loans

3

Affordable Home Loans

RBI-mandated review reveals ICICI, Axishave most NPAs; outlook for others better

GRIM PICTURE		
Gross NPAs	Change (%)	
	Y-o-Y*	Q-o-Q*
IndusInd Bank	38.0	14.0
YES Bank	139.0	34.1
HDFC Bank	27.8	3.2
Axis Bank	48.1	6.3
ICICI Bank	73.7	24.0

\*As on March 31, 2016 versus as on March 31, 2015; #As on March 31, 2016 versus Dec 31, 2015  
Source: Capitaline

Mumbai, April 29:

With the RBI tightening provisioning norms, the bad debt problem is knocking at the doors of private sector banks too. Cumulative gross non-performing assets (NPAs) of leading private sector banks, including ICICI Bank, Axis Bank, HDFC Bank, IndusInd Bank and YES Bank, have surged 62.5 per cent to Rs. 38,227.14 crore in the fourth quarter of 2016 compared to Rs. 23,519.89 crore in same quarter last year.

The NPAs have grown 18 per cent sequentially from Rs. 32,368.14 crore in the third quarter, ended December 2015. The rise has been due to the asset quality review (AQR) process ordered by the Reserve Bank of India.

As part of the AQR exercise, the RBI had asked banks to review certain loan accounts and their classification over the third and fourth quarter of FY16.

### Standing on the edge?

ICICI Bank and Axis Bank accounted for 85 per cent share of the total gross NPAs of private banks as at the end of March 2016. ICICI Bank on its own accounted for 68.6 per cent of the total NPAs.

The largest private sector bank's gross NPAs in terms of percentage to gross advances has jumped 202 basis points year-on-year and 108 basis points sequentially, to 5.8 per cent.

### A mixed bag

Gross NPAs as a percentage of advances for other banks vary. HDFC Bank has remained stable over the last four quarters; others have seen a rise of 8-30 basis points in the fourth quarter of FY16 compared with the first.

Analysts expect the worst is over for private banks on the NPA front — except for ICICI Bank and Axis Bank as the two have sizeable share of corporate loans (27.5-46 per cent) in the total portfolio compared to others. "ICICI Bank and Axis bank will continue to witness the NPA pain. While Axis Bank has guided that it will take two years for the mess to be cleared, we expect the same to take at least six quarters for ICICI Bank. These negatives are not yet factored in fully into the stocks," said Abhineesh Vijayraj, analyst at Spark Capital.

### 'Skies will clear'

Harendra Kumar, Managing Director-Head (Institutional Equities & Global Research), Elara Capital, is positive on private bank stocks as the outlook turns positive post the clean-up on account of AQR.

The combined market capitalisation of HDFC Bank, IndusInd Bank and YES Bank has gone up by 7 per cent since January compared to the 1 per cent gain in the Nifty Private Bank index. Market capitalisation of HDFC Bank is more than combined market capitalisation of ICICI Bank and Axis Bank. ICICI Bank is the exception as it has underperformed Nifty Private Bank index in the last four months with a decline of 9.5 per cent since January.

(This article was published in the Business Line print edition dated April 30, 2016)