

## Stress on agricultural loans may rise if rainfall remains uneven: SBH chief

G Naga Sridhar

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*Says valuation of the bank under way for merger with SBI*



Santanu Mukherjee, Managing Director, State Bank of Hyderabad

Hyderabad, September 2:

There is an increasing risk of agricultural assets of banks coming under stress if the projected rainfall continues to remain uneven, according to Santanu Mukherjee, Managing Director, State Bank of Hyderabad.

“There has been drought in regions like Marathwada and Hyderabad-Gulbarga regions for the last three years.

“This year, even though initial rains were good, still some regions are out of its purview,” Mukherjee told *BusinessLine*.

“Slowly, farmers are getting impacted leading to problems in repayment,” he said, adding that recovery efforts were also not getting full support from the government and other agencies involved.

At the national level, agriculture non-performing assets are hovering around 5 per cent.

“Our NPA position at State Bank of Hyderabad is better at 2 per cent, but we are still concerned,” he said.

In general, banks will have to rely on retail, agriculture and MSME (micro, small and medium enterprise) lending as corporate credit offtake has not picked up yet.

“Not many new projects are coming. Even those in the pipeline will take time before availing credit,” the banker said.

As of now and going forward, SBH’s business focus will be on the retail/personal, agriculture and MSME segments.

### Take on merger

When asked on the merger, the MD said the boards of SBH and SBI had approved the merger and the due process for merger will be followed.

On the likely impact of merger on SBH’s brand image, he said: “Any new thing will have some initial concern/worries, but things will be simple and better as we move on.”

The valuation of SBH is currently under way.

As SBH is a 100 per cent subsidiary of SBI, there is no requirement for a swap ratio and other procedures unlike other associate banks.

### Expansion halted

In view of the merger, SBH has now halted branch expansion plans and fresh recruitment. "Business will go on as usual," Mukherjee said while declining to share further details on the merger and its timeline.

Mukherjee, who was the first SBH officer to head the bank as MD, is also likely to go down in history as its last MD .

As on June 30, SBH had 1,936 branches and total business of ₹ 2,52,245 crore.

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***Any new thing (merger with SBI) will have some initial concern/worries, but things will be simple and better as we move on: Santanu Mukherjee***

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