

RBI initiates 'prompt corrective action' for Dena Bank

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Lender says the 'action will not have any material impact' on its performance



Mumbai, June 2:

The Reserve Bank of India has initiated prompt corrective action (PCA) for Dena Bank in view of high net non-performing assets and negative return on assets.

In a statement to the stock exchange, the public sector bank said: "This action will not have any material impact on the performance of the bank, and will contribute to improve the internal controls of the bank and improvement in its activities."

As of March-end 2017, Dena Bank's net NPAs as a percentage of net advances deteriorated to 10.66 per cent (6.35 per cent as on March-end 2016). ROA of the bank for two consecutive years has been negative — 0.75 in FY16 and 0.67 in FY17.

Last month, the central bank had initiated PCA for IDBI Bank and UCO Bank in view of high NNPA and negative ROA. The RBI had initiated PCA on Indian Overseas Bank in October 2015.

S&P Global Ratings observed that the tightening of PCA triggers by the central bank could increase the likelihood of capital infusions from the government for ailing public sector banks and spur their merger with stronger players.

In a report in April, Karthik Srinivasan, Group Head, Financial Sector Ratings, ICRA, said: "Based on the revised PCA framework, a total of 16 PSBs out of 21 (excluding SBI associates) and two out of 16 private banks will require taking mandatory corrective actions such as raising capital levels, restricting dividend payments, branch expansions or face restrictions on management compensation to come out of the PCA framework."

The action was taken in view of high net non-performing assets and negative return on assets

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