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RBI may impose curbs on branch expansion by UBI

BY [ATMADIP RAY](#), ET BUREAU | UPDATED: MAY 19, 2017, 12.04 AM IST

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KOLKATA: The [Reserve Bank of India](#) may put restriction on [United Bank of India's](#) branch expansion and direct it to make higher provisions to cover risks due to its rising stressed loans, a senior banking analyst said.

Continuous rise in its sticky loans makes the state-run lender a second category offender for risk threshold breach under [prompt corrective action](#) (PCA) measures under the new guidelines issued last month, said the analyst who requested not to be identified.

In case the central bank initiates the action, it would be the second time in four years that United Bank of India (UBI) came under regulatory sanctions and be forced to take corrective measures.

In 2013, RBI had restricted the bank from lending freely after the then chairperson Archana Bhargava flagged off accounting malpractices.

UBI would also be barred from distributing profit among shareholders as a mandatory measure, despite reporting Rs 74 crore net profit for the fourth quarter against Rs 413 crore loss in the year ago period.

UBI managing director Pawan Kumar Bajaj was not available for comments as he flew to New Delhi immediately after the board approved the financial parameters to attend a finance ministry meeting to discuss the bank's turnaround plan.



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The ministry has asked 10 banks including IDBI Bank to submit a revival strategy for receiving capital infusion from the government this year.

According to the latest data, UBI's non-performing assets rose to Rs 10,952 crore at the end of March from Rs 9,471 crore a year back. The gross NPA ratio deteriorated to 15.53% from 13.26% during the same period while net NPA ratio rose to 10.02% from 9.04%.

Under the tighter norms, RBI has identified four risk areas, including high NPA, recurring losses and capital erosion, and said that breach of any the risk threshold would result in invocation of prompt corrective action.

UBI breached the second category risk threshold with net NPA more than 9% and accordingly RBI may give direction to the bank management on credit risk and capital management.

The lender kept aside less provisions at Rs 43 crore in the quarter ended March against Rs 292 crore in the year-ago quarter, helping it to show a net profit. Its gross profit was at Rs 116 crore for the quarter against Rs 121 crore loss in the corresponding period last year.

The bank's capital adequacy ratio under Basel III was strong at 11.14% level.

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