

## Stress test: RBI sees gross NPAs at 12% by March

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Senior executives of a clutch of stressed public-sector banks (PSBs) on Tuesday indicated to a parliamentary panel they may require more capital than initially estimated.

In October, 2017, the government had announced a Rs 2.11-lakh-crore recapitalisation plan of which Rs 1.35 lakh crore was to come in the of recap bonds. Banks were to get the Rs 76,000 crore by raising money from the markets and from budgetary allocations.

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Another Rs 65,000 crore of capital could be infused in 2018-19. The finance ministry has assured banks it would provide banks with capital, if there was a pressing need.

The lenders told the Standing Committee on Finance — headed by [Congress](#) leader M Veerappa Moily — that they were taking steps to ensure the Reserve Bank of India ([RBI](#)) lifts restrictions placed on them with regard to growing their loan portfolios, hiring, paying dividends and expanding their networks. The executives of 11 state-owned lenders said they hoped to be out of the purview of the PCA in two years — by 2020.

Appearing before the committee, the banks detailed the measures they were taking to effect a turnaround. These plans include cutting costs, selling non-core assets, rationalising both domestic and overseas operations (without firing employees), trimming

exposure to corporate loan book to diversify risks and selling bad assets to other lenders, wherever feasible, said a banking source.

IDBI Bank, Bank of India, UCO Bank, Central Bank of India, Indian Overseas Bank, Oriental Bank of Commerce, Dena Bank, Bank of Maharashtra, United Bank of India, Corporation Bank and Allahabad Bank are all under PCA. Dena Bank and Allahabad Bank face additional curbs on lending. The 11 stressed banks account for 30% of deposits and 29% of advances of the 21 PSBs. Gross non-performing assets (NPAs) with the banking system hit 11.6% of total advances at the end of March 2018, or Rs 10.2 lakh crore. PSBs reported gross NPAs of close to Rs 9 lakh crore.

On Tuesday, the banks also told the panel that they are taking steps to prevent large-scale frauds like the one at Punjab National Bank (PNB) involving jewellers Nirav Modi and Mehul Choksi. The number of frauds reported by banks jumped to 5,904 in 2017-18 from 4,693 in 2015-16. The fraud amount at end-March 2018 was Rs 32,361 crore, up from Rs 18,698.8 crore at the end of March 2016, thanks to the Rs 14,357 crore PNB fraud, the biggest in the country's banking history. Earlier this month, RBI governor Urjit Patel had appeared before a parliamentary panel to reply to questions on bad loans and fraud. Patel was reported to have asked for more powers to regulate

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