

Banks under PCA show progress, but position still serious: CARE

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Although non-PCA PSBs are also loss-making, the extent of losses made by PCA PSBs has increased further over the years, said the RBI

A clear picture will emerge only after two quarters, says rating agency

MUMBAI, NOVEMBER 16

The financial position of banks under prompt corrective action (PCA) norms seems to have shown some improvement, but an analysis by CARE Ratings says that a clear picture will emerge only after two quarters.

“The position of the PCA banks appears to be just about stable, but we will have to wait for another two quarters to get a clear picture on whether the asset quality issue has been recognised fully,” it said in a study on ‘Performance of PCA Banks’.

Noting that their losses at around ₹10,000 crore a quarter are still high, the analysis said that other factors related to their revival, in terms of capital, will also be important.

It found that only three banks, including Bank of Maharashtra, Oriental Bank of Commerce and Corporation Bank, have registered profits in the second quarter of this fiscal. “It needs to be seen if this is retained in the next two quarters too,” said the report.

At the other end of the spectrum, IDBI Bank (₹3,602 crore), Bank of India (₹1,156 crore), UCO Bank (₹1,136 crore) and Allahabad Bank (₹1,823 crore) have reported the highest losses this quarter.

The study analysed all 11 banks under the PCA framework of the Reserve Bank of India. With the restrictions on lending, it found that their advances have come down to ₹16.39 lakh crore at the end of the second quarter this fiscal from ₹17.65 lakh crore in March 2017. It also found that growth in provisions has slowed down in the last two quarters although, typically, the highest provisions are made in the fourth quarter of the year. Total provisions amounted to ₹23,010 crore in the July to September quarter this fiscal from a peak of ₹46,761 crore in March 2018.

Non-performing assets (NPAs) amounted to ₹3.49 lakh crore of these PCA banks as on September 30, 2018, against ₹ 3.46 lakh crore in the previous quarter. The NPA ratio increased from 16 per cent in March 2017 to 20.5 per cent in March 2018, and is marginally up to 21 per cent in September.

Noting that the growth in NPAs continues to be higher in the second quarter of this fiscal compared to the first quarter, CARE Ratings said it is uncertain whether the NPA levels have peaked, or whether there could be new additions in the coming months.

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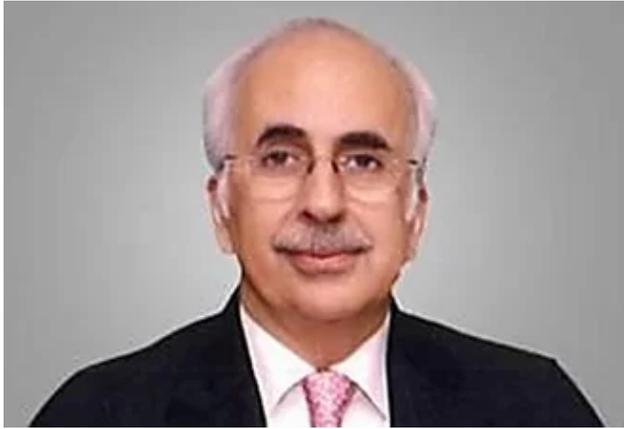
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