

# No moratorium or restrictions on depositors: LVB assures customers

Our Bureau Mumbai | Updated on September 29, 2019 Published on September 29, 2019

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Bank can lend to all segments except corporates, stressed and high-risk sectors

Private sector Lakshmi Vilas Bank sought to assure its customers that being put on Prompt Corrective Action does not mean a moratorium on its operations.

The restrictions come at a time when a proposal for merger of LVB with Indiabulls Housing Finance is pending with the RBI. While there is no word from the regulator on it, the proposal has been cleared by the Competition Commission of India.

“We wish to reassure all customers that bank can transact normal business. There are no restrictions on operations by depositors,” it said adding that the bank can also undertake lending activities to all segments except corporates and other stressed and high risk sectors.

Its statement comes to assuage depositors at a time when the Reserve Bank of India has restricted withdrawals from Punjab and Maharashtra Cooperative Bank at ₹10,000 leading to panic amongst many of its customers.

## Higher NPAs

Tamil Nadu-based LVB had on Saturday in a regulatory filing said that it has been put under prompt corrective action framework due to high net NPA, insufficient CRAR and CET 1, negative RoA for two consecutive years and high leverage, based on the on-site inspection under the Risk Based Supervision carried out for the year ended March 31, 2019.

LVB said the corrective action plan also covers various suggestions/ measures to recover NPAs, reduce costs, boost capital, downsize RWAs and improve profitability and the management is in the process of implementing all these measures.

The annual general meeting of the lender on September 27 has also approved proposals for authorising the bank to raise further capital up to ₹1, 000 crore through equity mode and ₹500 crore by way of Tier I or Tier II bonds.

The bank is exploring various avenues for raising capital to shore up its CRAR. Similarly, LVB is putting in place strategies to recover NPAs. “The management welcomes the guidance of RBI and shall make all possible efforts to improve the overall financial health of the Bank,” it said. The cash-starved lender, which reported a net loss of ₹237 crore for the first quarter of the fiscal, registered gross NPAs of 17.30 per cent of gross advances from 10.73 per cent in the year-ago quarter.

The bank’s CAR and Tier I CAR stood at 6.46 per cent and 4.46 per cent as June 30, 2019 (7.72 per cent and 5.72 per cent as on March 31, 2019) against the regulatory requirement of 10.875 per cent and 9 per cent. In August this year, its Managing Director and CEO Parthasarathi Mukherjee resigned citing personal reasons.

Lakshmi Vilas Bank Ltd

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