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IDBI Bank likely to be out of PCA framework in fourth quarter

BY PTI | UPDATED: DEC 22, 2019, 04:51 PM IST

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NEW DELHI: LIC-controlled [IDBI Bank](#) expected to come out of the [Prompt Corrective Action](#) (PCA) framework in the last quarter of the current fiscal with the support of capital infusion and recovery from large IBC cases. According to sources, some of the restrictions with regard to lending by the bank have been eased recently.

With money coming from resolution on Essar Steel and expected flow from resolution of Bhushan Power and Steel and Alok Industries, sources said the bank is likely to be posting profit during the third quarter and the subsequent quarter.

The bank has already come below net NPA threshold of 6 per cent, one of the three parameters for triggering PCA framework. The net NPA of the bank reduced to below 6 per cent in the second quarter ended September 2019.

Recently, Parliament approved Rs 9,300 crore capital infusion in IDBI Bank. The department of financial services got an additional Rs 4,557 crore for infusion into IDBI Bank through recap bonds for their share of 47.11 per cent in IDBI Bank. State-owned LIC, which is the promoter of the debt-ridden lender with 51 per cent stake, will pump in an additional Rs 4,743 crore to improve the bank's capital position.

With this kind of capital infusion coupled with write back from the recoveries from large NPA cases, the bank is expected to come out from the weak bank watch list by the end of the current fiscal, sources said.

The PCA framework kicks in when banks breach any of the three key regulatory trigger points namely capital to risk weighted assets ratio, net non-performing assets (NPA) and return on assets (RoA).

Earlier this month, Finance Minister Nirmala Sitharam said the recapitalisation was done by the government by infusing Rs 21,157 crore into IDBI Bank since 2015 after we came back to power and LIC infused Rs 21,624 crore.

"So both put together have given Rs 42,781 crore to the bank. This has help reduce the net NPAs from a peak of 17.3 per cent in September, 2018 to 5.97 per cent in September, 2019. It has come below RBI's 6 per cent net NPA threshold level," she had said.

Earlier this year, the RBI removed five banks - Bank of India, Bank of Maharashtra, Oriental Bank of Commerce, [Allahabad Bank](#) and [Corporation Bank](#) - from the PCA framework in two phases after capital support from the government that resulted in improvement in their financial parameters.

The capital infusion helped these lenders meet requisite capital thresholds and reduced their net NPA levels to below 6 per cent.

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