

NPA agony: PSU banks continue to face loan restructuring requests

Banks may continue to face tough times for yet another quarter as borrowers, facing business downswing, queue up with loan restructuring requests.

Bank of Baroda (BoB) and Union Bank of India, two big lenders, expect to restructure loans worth Rs 4,800 crore in the first quarter alone as distressed borrowers approach them for debt recast. Another public sector bank, Bank of India, said it may have to restructure loans worth around Rs 500 crore.

While BoB chairman SS Mundra indicated that its restructured loan book stood at Rs 22,617 crore for the year ended March 2013, Union Bank of India's CMD Debabrata Sarkar echoed similar fears, maintaining that the stress may continue for a while. Both these banks have restructured Rs 4,200 crore between them in the fourth quarter. BoB has reported a 32% fall in net profit while Union Bank of IndiaBSE 5.39 % saw a modest 2% rise on account of higher provision to cover bad loans.

"We have restructured loans of Rs 1,400 crore in the fourth quarter and expect to restructure Rs 2,200 crore in the first quarter of this fiscal year. But improving asset quality is now the priority for the bank," Sarkar added.

UBI, which had hit the headlines last month with its aggressive recovery drive, has reported an 80% drop in Q4 net profit at Rs 31 crore on account of bad loans and thinning margin. "The next quarter will be a tight-rope walk for us," the bank's CMD Archana Bhargava said. "Our effort will be to bring down NPAs. We will give it a try. Let's see what happens," she said.

However, Bank of India chief VR Iyer appeared a little more optimistic. "We expect profits to improve and stress to reduce in the coming quarter. A lot will also depend on the operating environment," she added.

The bank's net NPAs rose 62% to Rs 5,947 crore. The aggregate restructured loans stood at Rs 17,641 crore and the incremental restructured loan in Q4 was Rs 2,159 crore.

PNB's net fell 21% to Rs 1,131 crore due to higher provisioning. Its gross NPA ratio has deteriorated to 4.27% from 2.9% a year ago. Net NPAs worsened to 2.4% from 1.5%.

(The Times of India)