

## MARKETS: Even private banks see rising NPAs

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ICICI Bank Ltd, India's biggest private sector lender by assets, saw its bad loans surge in the December quarter on a central bank order to reclassify some troubled loan accounts, and predicted sour assets will rise further this quarter.

Indian banks have seen a surge in their bad and restructured loans in the past three years as an economic slowdown squeezed companies' profitability and their ability to service debt. As the regulator, the Reserve Bank of India (RBI), embarks on a drive to clean up bank balance sheets by March 2017, it has asked lenders to treat some stressed borrowers as non-performing even if they have not defaulted yet.

The RBI has yet to talk specifically about the direction, but bankers say they have been asked to downgrade the accounts by March. About 60 percent of ICICI Bank's bad loan additions of 65.44 billion rupees in the December quarter were due to the RBI directive on asset reclassification.

It will take substantially long time for banks to become healthier considering pressures of economic pressures and rising NPAs. Investors should avoid banking sector – both PSUs as well as private sector banks.

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