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Reduced NPA to drive solvency of PSBs, says Icra

Credit rating agency Icra says reduced net non-performing assets will drive "considerable improvement" in solvency of public sector banks (PSBs). Slippages will reduce during FY20 and reach levels of 1.9-2.4%, which is acceptable. The government's capital infusion of ₹1.91 trillion into the PSBs during 2018 and 2019 augurs well for their growth, while the total capital requirement to support growth rate of 7-9% by these banks for FY20 would be ₹54-77,000 crore, the rating agency said. Some banks can finance much of their capital needs through sale of non-core assets, whereas lower growth in credit in banks under prompt corrective action can reduce capital requirement for FY20.

ANUP ROY

Estimated capital required FY20 (₹crore)

State Bank of India	11,844
Canara Bank	6,754
Central Bank of India	6,433
UCO Bank	5,545
Punjab National Bank	5,542
Indian Overseas Bank	5,400
Union Bank	5,092
IDBI Bank	5,090
United Bank of India	3,217
Dena Bank	3,037
Syndicate Bank	1,915
Bank of Baroda	1,554
Punjab and Sindh Bank	1,188
Oriental Bank of Commerce	915
Bank of Maharashtra	729
Bank of India	605
Vijaya Bank	351

Note: Figures for Allahabad Bank, Indian Bank, Andhra Bank and Corporation Bank were not available
Source: ICRA

*Estimates

Asset quality indicator

Figures (₹ trn)	PSBs '18	PSBs FY19*	PSBs FY20*	Private banks '18	Private banks FY19*	Private banks FY20*
Fresh slippages	4.3	2.5	1.3-1.6	1.0	0.64	0.5-0.7
Fresh slippages rate (%)	8.3	4.5	2.3-2.9	4.7	2.1	1.8-2.2
Gross NPA	9.0	8.1	6.8-7.0	1.3	1.4	1.3-1.4
Net NPA	4.5	3.2	2.2-2.3	0.6	0.5	0.4
Gross NPA (%)	14.6	10.3	8.1-8.4	4.8	4.3	3.7-3.9
Net NPA (%)	8.0	5.3-5.4	3.5-3.6	2.4	1.62	1.2
Credit cost/ advances (%)	4.79	3.75	1.5-1.8	2.11	1.53	0.5-0.6
Provision cover (%)	49.0	63.0	73-75	51.0	65.0	73-75