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Lenders stare at ₹19,000 cr NPAs

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Banks are facing a fresh spike in bad loans, with close to 9% of the debt restructured under the Reserve Bank of India's pandemic relief plan turning sour in the last six months of 2021-22, data compiled by *Mint* showed.

Although overall bad loan numbers are improving, analysts are cautious about future delinquencies arising out of the restructured book. Over ₹18,500 crore of such loans has slipped into the non-performing asset (NPA) category after borrowers were unable to repay despite an extension of the repayment period and easier payment terms. While some small businesses are yet to find



Close to 9% of debt revamped under RBI's covid relief plan turned sour in Oct-Mar of FY22.

their feet after the covid onslaught, a section of individual borrowers have also failed to repay, showed data from 27 banks who have declared their earnings for the year to March.

Loans recast under the cov-

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Lenders stare at ₹19,000 crore bad loans

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id-19 schemes declined to ₹1.9 trillion as of 31 March from ₹2.17 trillion six months earlier because of repayments, slippages into bad loans and write-offs.

Analysts said banks that have reported lower repayment and slippage numbers may have allowed borrowers a longer repayment moratorium. Some public sector banks have also scheduled staggered exits from moratoriums for borrowers so that repayment delays and recoveries could be managed better.

Data showed that borrowers have started exiting their moratorium periods, and more will exit the moratorium in the coming months.

“Assome of the restructured loans across lenders could be under moratorium, the slippages from the restructured book should be seen in relation to the book that has exited moratorium and not the entire restructured loan book,” said Anil Gupta, vice-president, financial sector ratings, IcrA Ratings.

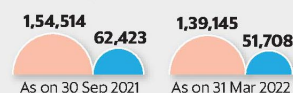
Gupta said that despite some loans being under moratorium, some borrowers repay as banks continue to persuade them to clear their dues to avoid an accumulation of interest and higher

Trouble ahead

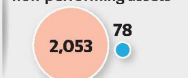
Overall bad loan numbers are improving, but analysts are wary of future delinquencies from the restructured book.

Covid-19 debt recast under RBI's resolution framework one and two
Public sector banks Private sector banks (in ₹ crore)

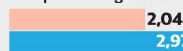
Outstanding recast loans



MSME loans that became non-performing assets



Retail loans that became non-performing assets



Total slippages (including corporate loans)



MSME: Micro, small and medium enterprises

Source: Bank results

PARAS JAIN/MINT

debt servicing burden later.

However, only a handful of banks have indicated how much of their restructured loans are

Data shows borrowers are exiting moratorium periods, and more will exit in the coming months

no longer under moratorium. For instance, at State Bank of India (SBI), half of the restructured book or ₹15,000 crore of loans has exited the moratorium, and some borrowers are repaying despite the availability of a moratorium. Cash flows of SBI's borrowers would be somewhat better than the rest of the industry

since a large chunk of its retail loans is to government employees who have not faced salary cuts like their private-sector peers during the pandemic.

“Again, I would like to draw your attention to the fact that it is actually attributed to the stabilization of the cash flows. With the stabilization of the cash flows, we are observing that people have started repaying loans even if they are restructured,” Dinesh Khara, chairman, SBI,

told analysts on 13 May.

For other banks, slippages from the restructured book also originated in loans to small businesses. At public sector lender Bank of Baroda (BoB), 32% of small business loans restructured as of 30 September have subsequently turned bad. For Bank of India (BoI), the figure is at around 10% and 6.5% for Indian Bank. “Part of the small and medium enterprise (SME) slippage has come from the restructured book, and part of the slippage is other than the restructured book. Half of the restructured slippages in SME is mainly in small and micro-accounts,” S.L. Jain, chief executive of Indian Bank, told analysts on 12 May.

Private sector lenders restructured a few small business loans, of which about 8% have turned bad. However, they were more lenient when it came to restructuring retail loans, and about 10% of such loans have now turned non-performing, the data showed.

Others believe that significant growth in retail loans and exposure to small businesses and vulnerable corporate sectors have created risks that remain masked by regulatory forbearance.