



## Bank stocks slip after RBI report

Bank stocks on Wednesday witnessed heavy selling, falling up to 6% on the Bombay Stock Exchange (BSE), a day after the Reserve Bank of India ([RBI](#)) indicated worsening of NPA situation.

In a Financial Stability Report (FSR), the RBI said the gross non-performing assets (NPA) ratio — bad loans as a percentage of total loans — of the Indian banking system could reach 12.2% by March 2019.

The BSE Bankex index ended the session 1.04% lower at 29,308.66 points, while the Nifty PSU Bank index closed 2.43% down at 2,809.10 points. The Nifty Private Bank index closed 0.83% lower at 14,980.45 points.

Syndicate Bank, which closed 6.39% down, was the biggest loser among the banks on BSE, followed by Punjab National Bank (PNB), 4.01% down at Rs 76.7. ICICI Bank declined 3.16%, while Bank of Baroda (BoB) shed 2.54%.

Other losers included State Bank of India (SBI), Axis bank, Federal Bank, IndusInd Bank, Kotak [Mahindra](#) Bank and Yes Bank.

The gross NPA ratio of all banks rose from 10.2% in September 2017 to 11.6% in March 2018. RBI said that among the bank groups, the gross NPA ratio for public sector banks' (PSBs) may increase from 15.6% in March 2018 to 17.3% by March 2019.

“RBI's latest financial stability report broadly reiterates that the stress levels in the sector appears to be showing stable signs with no further deterioration,” stated a Kotak Institutional Equities report.

Within the industry, the stressed advances ratio of sub-sectors such as gems and jewellery, infrastructure, paper and paper products, cement and cement products and engineering registered an increase in March 2018 over September 2017.

“The stress level is not showing any ‘new surprises’ is the share of the Special Mention Accounts (SMA) 0/1/2 buckets. The bulk of the increase in gross NPLs is mostly from the large corporate segment as banks have started to recognise the problems in the infrastructure sector. These accounts were mostly in SMA-1/2,” added the Kotak report.

It is optimistic of the FY2019 with regard to resolution of bad loans. With the bulk of the bad loans coming from the large corporate segment, most of these loans are now seeing a resolution through the insolvency code.

“Our study suggests that significant progress has been achieved on the first list of RBI cases referred to IBC which we expect should see better progress from Q2 FY18 as several cases are pending for clarification of the code at various courts,” the report further added.

The benchmarks [BSE Sensex](#) and NSE Nifty ended the day at sliding 0.77% (35,217.11 points) and 0.91% (10,671.40 points) respectively.

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