The Reserve Bank of India (RBI) may defer putting lending and expansion restrictions on Rs 143 billion fraud-hit Punjab National Bank (PNB) till the first-quarter results of 2018-19 are out.

The regulator has conveyed to the management of the bank in a recent meeting that it will examine, after looking at the June quarter results, whether PNB's financial conditions warrant putting it under the prompt corrective action (PCA) framework.

"The regulator will take a call after the June-ended quarter results (are declared). The regulator has told PNB to improve recovery, shed risk-weighted assets, and focus on reducing expenditure till then," an official said.

PNB, led by its Chief Executive Officer and Managing Director Sunil Mehta, made a presentation on its revival plan to the RBI last Monday, requesting the regulator to defer action under PCA till December, according to sources.

Most public sector banks (PSBs) declare their financial results for the April-June period between the end of July and beginning of August. So PNB may not face any business restrictions till at least August if the regulator has its way.

"Looking at the PCA framework, PNB, like a few other banks, fulfils a couple of important parameters to be added to the list. But PCA will not affect business operations as such. In the present situation, no bank is looking at aggressive credit growth, looking at branch expansion or aggressive hiring, and these are a few things that the banks have to go slow on under PCA," said Karthik Srinivasan, senior vice-president—group head, financial sector ratings, Icra, adding, "it does not change life for any bank unless the RBI puts a specific lending restriction." According to a recent report by Credit Suisse, with net non-performing assets (NPAs) over 8 per cent and common equity tier levels down to less than 6 per cent, PNB and Andhra Bank are likely candidates for PCA. Under RBI rules, fulfilling any of the three conditions — net NPA levels above 6 per cent, two years of consecutive losses, or the capital adequacy ratio below the regulatory requirement — could put banks under PCA. PNB suffered the highest ever loss by any domestic bank, at Rs 134 billion, mainly due to the Rs 143-billion swindle on account of fraudulent loans to jewellery firms belonging to Nirav Modi and Mehul Choksi and the RBI's new provisioning norms. Last week, on the directives of the finance ministry, apart from PNB, Union Bank also met the regulator, urging a deferment of PCA by citing a revival plan.

Andhra Bank, Punjab and Sind Bank, and Canara Bank, too, are likely to make a similar presentation before the regulator. This came owing to fears that more banks may be put under PCA, with their performance further deteriorating in the fourth quarter of 2017-18, partly attributed to a recent RBI circular scrapping all loan-restructuring schemes.

While 11 PSBs are under the RBI's PCA framework, PNB, Canara Bank, Andhra Bank, Union Bank, and Punjab and Sind Bank are susceptible to PCA in the near term, according to analyst reports. This has the potential of bringing banks with around 36 per cent of market share under PCA. Allahabad Bank was the last PSB to be put under the PCA framework by the RBI in January.

Banks under PCA face various restrictions, including expanding the loan book. Also there are curbs on dividend distribution, branch expansion, and management compensation.

Recently, the RBI put restrictions on all fresh lending by Dena Bank, while restricting lending to risky assets, and raising high-cost deposits for Allahabad Bank after their weak financial performance in 2017-18.