

# **Bad assets rise 42 per cent at Rs. 1.83 trillion till December 2012: CARE**

Slowdown in growth and high interest rates have resulted in a 42.6 per cent rise in bad assets in banking system to Rs. 1.83 lakh crore till December 2012, CARE Ratings has said.

The gross non-performing assets in the system have risen to Rs. 1.83 lakh crore from Rs. 1.28 lakh crore a year ago, witnessing a growth of 42.6 per cent.

"Consistent high interest rates have impacted the debt repayment capacity of corporates thereby resulting in asset quality deterioration and rise in the quantum of restructured assets across the banking sector," CARE Ratings said.

The agency also attributed the stress to subdued economic activity that dented top lines of corporates. The gross NPA ratio of the system has increased to 3.53 per cent in December 2012, as against the 2.88 per cent level in December 2011, it said.

State-run banks contributed the maximum to the increase in NPAs, with a 48 per cent surge while the same for private banks stood at 10 per cent, CARE said.

Gross NPAs as a percentage of advances moved up to 3.92 per cent versus the March 2012's 3.02 per cent for the public sector banks while for private banks, it dropped marginally to 1.97 per cent from the 2 per cent levels in March 2012.

Restructured assets in the system have grown 23 per cent since March 2012 to Rs. 3.2 lakh crore, or 6.1 per cent of the total advances, it said.

The same ratio of restructured assets had stood at 5.4 per cent in March, 2012.

However, in some solace for the sector, the ratings agency said it did not expect credit growth to fall below the expectations and expects the margins to remain stable in the near term.

"Given the current economic scenario and the recent downward revision in estimated GDP growth to 5 per cent for FY13, we expect advances growth for FY'13 to be around 16 per cent, in line with earlier projections," CARE said, acknowledging that some impact of the growth slowdown has been witnessed in this area as well.

In the near term, CARE expects the banking system's margins to remain stable as the rates are on a decline, it said.

However, the agency added that during the first three quarters, "margins in the banking sector have been witnessing downward pressure on account of higher cost of deposits, deceleration in credit growth as well as interest reversals due to rising NPAs".

*(NDTV)*