

## CanBank to refer loan recast to RBI, post auditors' objection

Auditors of Canara Bank, India's fifth largest state-owned lender by assets, took objection to the management's decision to restructure loans of a particular borrower. The loan amounts to almost 20% of the bank's fresh restructuring of around Rs 18,110 crore in the March quarter. Fresh restructurings were primarily in the infrastructure portfolio of the Bank, spread across power and road sectors.

With the auditors not accepting the restructuring in the particular account, the bank has reported the said amount both in restructured loans as well as in non-performing loans (NPLs). Acknowledging the dispute over restructuring of one of the major accounts during the quarter, Canara Bank chairman and managing director RK Dubey said, "Yes. There are certain accounts on which there could be a difference of view between the bank and the auditors. If we restructure an account and the auditors don't agree, then somebody else has to decide. So we will refer it to RBI and wait for its decision. These are internal matters and we are trying to resolve them."

ET could not ascertain the identity of the corporate entity whose loan restructuring was disputed by the bank auditors. Bank officials refused to divulge details. Dubey, who was in Hyderabad on Friday, justified the bank's latest strategy of building the assets side of the balance sheet through stepping up loans, which grew 11% in the March quarter sequentially, the largest growth in the last eight quarters. "If you don't grow, you are blamed that you are not growing. If you grow, you are told that you are growing too much," said Dubey.

By March 2013, Canara Bank's y-o-y growth was less than 7%, while the industry average growth was around 15%. "This means we are less than 50% of the industry growth. By any yardstick, the growth is very less." "The bank has not been growing for ten years for reasons best known to my predecessors," Dubey said adding, a number of large corporate are either going away from Canara Bank because of slow decision taking, or business offtake was not there. "Our existing clients had a lot of requirements of enhancement or regular credit needs, which were postponed for quite a long time. We took considered decisions through the board where a lot of collective wisdom goes into and then only that was considered."

In a report last week, Kotak Institutional Equities said, "We are not too positive on the bank's loan portfolio, especially on the back of the management's aggressive stance on loan growth in an environment where risk of impairments is high (corporate loans), while the bank's previous experience in retail has not been favourable." Dubey said the bank was targeting to improve its net interest margin (NIM) to around 2.75% by March 2014 from 2.4% in March 2013.

*(Economic Times)*