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ICICI Surprises with 20% Jump in Net

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ICICI Bank, the second-biggest lender, posted a 20% rise in quarterly earnings aided by revival of retail loans growth, dividend from life insurance unit and reduction in bad loans, driving the shares 5.9% higher. But the bank that is coming back from the self-imposed contraction after the 2008 credit crisis is starting at higher loans restructuring in the fourth quarter, which includes the account of national carrier, Air India.

Net profit for the third quarter rose to ₹1,728 crore, from ₹1,437 crore a year earlier. This was higher than the ₹1,589.67 crore forecast by analysts. Net interest income climbed 17% to ₹2,712 crore, from ₹2,312 crore a year earlier. Retail loans turned profitable with pre-tax profits of ₹320.45 crore, from ₹105.60 crore losses last year. "It's a positive surprise to see an improvement in the balance sheet," said ASV Krishnan, banking analyst at Ambit Capital. "It would be interesting to see how the bank has managed its bad loan book as it has restructured some large loan accounts this quarter. They are underwriting high quality corporate credit. However, the uncertain environment could pose a challenge."

Net profit for the third quarter rose to ₹1,728 cr, from ₹1,437 cr a year earlier, higher than the ₹1,590 cr forecast by analysts

Lenders to infrastructure companies are facing stress on their books with many projects failing to take off the ground due to absence of governmental clearances and some mothballed for want of raw material such as natural gas and coal. With demand slowing, the need to restructure more loans is expected to arise.

"There would be some increase in the restructuring book in the fourth quarter as some of the companies are still going through the restructuring process," said Chanda Kochhar, managing director and chief executive officer, ICICI Bank.

But bad loans are falling for the bank as more retail loans are secured. "Non-performing loans are dipping as the share of unsecured retail advances continues to come down and the proportion of secured advances is growing," said Kochhar.

The bank's net restructured assets stood at ₹3,070 crore after an addition of ₹800 crore last quarter during which loans worth ₹300 crore were upgraded to standard account. "We have maintained that the provisions would continue to be around 70 basis points of the average loan," Kochhar said. Non-performing loans dipped to 0.83% from 0.93% for the period under review.

PNB'S NET GROWS JUST 5.5%

Punjab National Bank posted a mere 5.5% increase in its net profit due to higher provisioning and depreciation in investments. The banks' net profit for the third quarter was ₹1,150 crore against ₹1,089.77 crore in the quarter ending December 2010.

Its tier-I capital adequacy ratio also fell to 7.85% at the end of the third quarter, less than the government-mandated 8%. The bank, however, has received approval for a capital infusion of ₹1,285 crore from the government, which will prop up the ratio to 8%.

UNITED BANK'S NET UP 38.5%

Kolkata-based United Bank of India said its net profit for the December quarter grew 38.5% despite fresh slippages and a 63% rise in provisioning cover for bad loans. UBI chairman and managing director Bhaskar Sen attributed the rise in profit to improvement in net interest margin to 3.38% from 3.21% a year ago.

UBI's net profit was ₹226 crore for the third quarter, as against ₹163 crore in the corresponding period last fiscal. Its operating profit rose 25% to ₹483 crore (₹387 crore) and net interest margin grew 19% to ₹668 crore. The bank has booked fresh slippages to the tune of ₹362 crore and raised provision by nearly two-third to ₹97 crore to cover bad loans. It made a total provision of ₹257 crore (₹224 crore).

Its gross non-performing assets ratio deteriorated to 3.28% while net NPA ratio was poorer at 2.01% from 1.52% a year ago. Sen said about 70% of the NPAs came from small loan accounts, while there was defaults in the iron and steel sector, too.