

Brickwork Ratings downgrade Bank of India, Union Bank of India and four others



The cases being referred to the National Company Law Tribunal under the Insolvency & Bankruptcy Code are taking more time to resolve and some of the high profile cases are attracting multiple litigations, delaying the debt resolution exercise.

KOLKATA: Brickwork Ratings has downgraded six banks including Bank of India and Union Bank of India BSE 3.13 %, the rating firm said Monday.

It said that almost all banks have shown significant reduction in non-interest income owing to lower treasury income while stress on asset quality further deepened.

The cases being referred to the National Company Law Tribunal under the Bankruptcy Code are taking more time to resolve and some of the high profile cases are attracting multiple litigations, delaying the debt resolution exercise.

"Thus, any expected benefit in respect of large, well-publicised cases being transferred to new owners, is likely to be seen in FY19 only," Brickwork said.

It has also downgraded Allahabad Bank, Central Bank of India BSE 0.62 % Corporation Bank and United Bank of India due to these stresses.

"Overall, percentage of gross non performing assets has gone up in all cases. BWR expects no relief in the last quarter, as both the bank management and auditors are expected to be conservative regarding asset classification," the rating firm said.

Earlier, in January, it had placed the public sector banks under credit watch with positive implications, based on the government's recapitalisation plans.

"Since then, many adverse developments have taken place, which includes their weak financial results for Q3FY18, significant fall in treasury income, increased provision requirements for the large corporate loans which are under bankruptcy proceedings, and vulnerability to certain types of operational risks," it said.

The rating firm also said that the outlook for five banks -- Andhra Bank, Indian Overseas Bank BSE 0.56 %, Oriental Bank of Commerce, Punjab & Sind Bank and Uco Bank -- is negative.

It said that almost all banks have shown significant reduction in non-interest income owing to lower treasury income while stress on asset quality further deepened.

The cases being referred to the National Company Law Tribunal under the Insolvency & Bankruptcy Code are taking more time to resolve and some of the high profile cases are attracting multiple litigations, delaying the debt resolution exercise.

"Thus, any expected benefit in respect of large, well-publicised cases being transferred to new owners, is likely to be seen in FY19 only," Brickwork said.

It has also downgraded Allahabad Bank, Central Bank of India Corporation Bank and United Bank of India due to these stresses.

"Overall, percentage of gross non performing assets has gone up in all cases. BWR expects no relief in the last quarter, as both the bank management and auditors are expected to be conservative regarding asset classification," the rating firm said.

Earlier, in January, it had placed the public sector banks under credit watch with positive implications, based on the government's recapitalisation plans.

"Since then, many adverse developments have taken place, which includes their weak financial results for Q3FY18, significant fall in treasury income, increased provision requirements for the large corporate loans which are under bankruptcy proceedings, and vulnerability to certain types of operational risks," it said.

The rating firm also said that the outlook for five banks -- Andhra Bank, Indian Overseas Bank, Oriental Bank of Commerce, Punjab & Sind Bank and Uco Bank -- is negative.

– Joel Rebello