

Liquidity adequate, global exposure small: ICICI Bank

Chanda Kochhar, Joint MD and CFO, ICICI Bank, said the bank has adequate rupee and global liquidity of Rs 12,000 crore. "We have no international investments, only loans on our balance sheet. We do not use rupee liquidity to fund global activities."

Kochhar said the bank has not seen a scale-down in deposit growths. "The focus this year is on current and savings accounts."

According to her, the bank has not seen an increase in NPAs, or Non Performing Assets, as the corporate sector is holding up. "About 90% of total loans are India related."

She feels the current investment pipeline is strong enough to ensure a 7.5% GDP growth.

Commenting on the banks' UK operations, Kochhar said exposures in the market there are very small given our size and profitability. "NPAs at 0% in UK subsidiary. Over 90% of investment in UK market are to companies with at least 'A' rating."

She said there is a cash collateral of USD 45 million from the Bumi Group. "The net loan stands at USD 100 million for which there is adequate cover."

Here is a verbatim transcript of the exclusive interview with Chanda Kochhar on CNBC-TV18.

Q: You have made four clarifications in the last fortnight or so. The RBI has clarified your liquidity position, but your stock is down 25% today. Is there any reason that you can think of why the stock market is hammering your stock down?

A: We have always believed that we would concentrate on our performance. The other thing we would do as a responsible bank is talk about facts. The rest of the movement if it happens is on the basis of rumours – we are on the point where we have to concentrate on our performance and on facts.

Q: You have actually spoken quite a bit about your liquidity position etc, obviously the market is worried about something. Are there any issues which might affect your performance or your balance sheets significantly in the foreseeable future – something that you've not had reason to report yet?

A: One of the things – the rumour that has been going around is about liquidity and as mentioned even in the morning that we have adequate and more than adequate rupee liquidity. We also have adequate global liquidity worth more than Rs 12,000 crore and also we do not use rupee liquidity to fund the growth of our international operations. So that's one clear statement of fact and every rumour going around it which is not true has to be kind of discounted.

Secondly, in the recent past people have had questions on our international book on which we have clarified in the past. So I again clarify that in the ICICI Bank balance sheet we have no international investments as such. There are only loans which are primarily to Indian companies for their global operations. While they are foreign currency loans, they are related to the global operations on the Indian companies. As far as our UK subsidiary is concerned, yes, we do have

certain amount of investments.

We have more than clarified about what the size of those investments is. Also more than 90% of those investments are still A minus and above ratings and given the context of our size of the group, having a balance sheet of Rs 4,84,000 crore and a net worth of Rs 47,000 crore – these exposures are very, very small. We have to look at them in that context. So if people have fears around that, I am only re-clarifying that these are small exposures given our size and our profitability.

Q: Have you seen a sharp increase in NPAs for ICICI Bank that you might report this quarter or in the next few?

A: No. The NPA levels continue to remain where they have been even in the last quarter. Even as we report earnings for Q2, you will not see anything untoward as far as the NPAs are concerned. In that context, even our UK subsidiary – as far as its entire loans and advances book is concerned there is actually zero NPA there.

Q: The other set of rumours doing the rounds is ICICI has lent to international companies, very clean loans at that time when they were lent with adequate collateral in terms of shares. But those shares have fallen and therefore some of those loans are now backed by inadequate collateral, and one of the names being mentioned is the Bumi Group. Are there generally fears that loans lent to global companies either from your global branches or from the Indian units are now being threatened that the stock market has fallen and not for any other reason?

A: Our total loans and advances even globally, 90% is India related. So, first of all global loans are very small even if a few of the loans exist.

The total amount of loan that Bumi Group loan has borrowed is USD 150 million. We have cash collateral against it to the extent of USD 45 million. So, the net loan amount is close to USD 100 million. Against that, we have more than adequate cover.

So, the non-India related loans are very few transactions – less than 10% of our global loans and advances, maybe a few transactions again which in some way or the other are related to India because again this is a company that exports a lot of coal to India and there is a whole lot of Indian linkage in terms of people buying coal from this company into India.

We have adequate security not just in the form of shares or other security, but in the form of pure cash collateral. Also, this is a company which has EBITDA of more than USD 500 million. So, there are underlying cash flows, there are other forms of securities, and we have a cash collateral sitting against it.

Q: It is very important that you have made these statements because there were these rumours floating and the stock market already seems to have taken these statements positively – the stock has recovered from the day's lows. On another issue, we understand that in terms of the amount you can borrow from the RBI through the Liquidity Adjustment Facility (LAF) window. You haven't yet utilized that extra 1% over and above that 25% SLR that is now available. Is that something that the regulators can loosen because earlier today we had Bank of India also say that they have not yet used that facility? Is there something that the regulators can loosen? You have that corridor of what – 1% of SLR would be sizeable for you – it is over Rs 2,500 crore that you can use from there?

A: That's to reinforce the point that we have adequate liquidity available with us. There should be no concerns about liquidity.

Q: There have been sporadic incidences of depositor panic as well. Have you seen a scale down in deposit growth this quarter around for ICICI Bank?

A: We haven't seen a scale down in deposit growth as such. But since the beginning of the year we have been saying that our focus this year will be on growing the current and savings account. We have not been focusing on wholesale term deposits. One has seen the last quarter results where we had seen a growth of 35% on our savings account, a growth of more than 25% on our current and savings account put together. Our focus there continues and we will continue to see a growth on our current and savings account.

Q: We've had a shocker of an IIP number today, by when do large private sector banks like yours start reflecting this in terms of credit growth, either by fear of NPAs because capital expenditure is slowing down at an alarming pace from your clients?

A: As far as NPAs are concerned, we are not seeing any increase in it, and the corporate sector profitability is still holding up and the repayment and payment obligations are all coming absolutely on time. So, on that count there shouldn't be a worry at all.

As far as the growth is concerned, the retail growth rate in any case this year has moderated compared to the past years. As far as the corporate growth rate is concerned, the investment pipeline that is currently there is still getting implemented. Moreover, corporates are not really in a hurry adding any new projects to their pipeline. That's a very sensible and a focused approach that even the corporate sector is taking.

But the current investment pipeline is strong enough to one – give India as a country, a GDP growth rate of about 7.5% because it will create a huge multiplier impact, and secondly to give the banking industry also a good enough growth rate. So, the current investment pipeline continues and we should all focus on that. The rest of it, we are going to declare our results in about two weeks and we focus on performance and our results will speak.