

Worst is over, we're heading towards normalcy

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Speaking candidly about the problems ICICI has been facing in recent weeks, CEO and MD **KV Kamath** said he was confident that the worst was over, with RBI injecting enough fresh liquidity in the system. The bank was well capitalised and this had been certified by international rating agencies. As for constant speculation about the bank's health, he said that he takes it with a lot of stoicism now.

You are clearly battling a certain perception about ICICI these past few weeks. Is the worst over?

I think I need to put this perception about ICICI in context. Specifically, it is about the health of our overseas subsidiaries in Britain and Canada. These subsidiaries have a capital adequacy ratio of over 17% of lending and other assets. You can't have a safer capitalisation. The capital requirement in India is 9% of risk-weighted assets. Both Moodys' and Standard and Poor's have recognised the safety of our credit profile.

The second context is the overall liquidity crunch in the domestic financial system as a whole. RBI is addressing that. Here too ICICI's capitalisation is more than adequate. The central bank has done the right thing by easing CRR requirements by 150 basis points. For now, this additional liquidity should help build confidence. I am confident we are heading towards normalcy fast. The worst is over.

Some reports hinted that ICICI had borrowed short-term funds at 20% from the CD market?

Well, at the outset, I have to say any bank's borrowing or lending policy cannot be put in the public domain. So I won't comment on that. All I can say is the overnight call money rate was ruling at 20% plus. So any bank that wants to borrow overnight will have to pay that rate. Nothing unusual about it. As for the safety of the Indian banking system, we have the most cautious and regulated financial sector in the world.

Tell me any other country where banks are obliged to keep 34% of their total deposits in safe government bonds and cash. This is the foundation of the Indian banking system, established by RBI. This is a huge insulation from any shock that might come to the system. I am pained at the manner, in which Indian banks is being painted with the same brush as those in the West.

There is also a perception that ICICI, and indeed other banks, may have got into serious asset-liability mismatches by lending for much longer periods after borrowing short term. In high-liquidity scenario, it was easier to constantly roll over short-term borrowing for long-term lending. All I can tell you is that Indian banks have to strictly adhere to asset liability management norms set by RBI.

Has RBI and the finance ministry done enough to ease the liquidity crunch? Or can it do more?

For now, the liquidity injection through CRR cuts will ease the situation. I must also add that RBI and the finance ministry have shown a lot of urgency and have done a commendable job in allaying apprehensions about the liquidity crisis.

Do you feel upset at the constant rumours about ICICI's operations. Even in normal times, there had been a perception that ICICI was an overly aggressive bank.

I don't get angered because we at the ICICI see ourselves as change agents. We have come so far and built a successful business after facing many challenges. We will face this one too. I admire my team for the way it has faced up to the challenges of these past few weeks. I wouldn't call ICICI aggressive. If you are a change agent you work differently and think out of the box. But probably there is a flipside to being change agents. I take all criticism with a measure of stoicism.