

Tier-I capital raise by banks halves to ₹17,516 cr in FY24

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With a strong capital adequacy base and higher interest rates, the activity of raising debt capital — Tier-I and Tier-II bonds — by banks declined sharply in the financial year 2023-24 (FY24).

Banks raised about ₹17,516 crore through the additional Tier-I (AT1) bonds in FY24, which was 49.8 per cent less than the amount raised in FY23, according to Prime Database.

Country's largest lender State Bank of India has raised ₹8,101 crore through AT1 bonds in FY24. Other significant issuers of AT1 bonds were two public sector lenders, Punjab National Bank and Canara Bank.

Senior executive with a large PSB said the internal accruals on the back of enhanced profitability improved the capital adequacy in the last two years. Hence, the dependence of external support through debt capital — AT1 and Tier-II bonds — was lower.

INTEREST TAPERS

Amount raised by banks via Tier-I bond (in ₹ cr)

2019-20	10,815	██████████
2020-21	18,723	██████████
2021-22	29,984	██████████
2022-23	34,894	██████████
2023-24	17,516	██████████

Source: primedatabase.com

Also, there is less interest from investors in AT1 bonds after private lender Yes Bank wrote down these instruments due to deteriorating financial conditions in 2020.

These are fixed rate instruments and lenders do not want to lock themselves into high interest rates instruments for the long term especially when the signs of rate softening cycle are around, said bond market dealer.

According to Care Ratings review of Q3FY24 performance of banks, the



median Capital Adequate Ratio (CAR) of Scheduled commercial banks dropped by 18 basis points year-on-year basis to 15.9 per cent at the end of December 2023.

It remained comfortably above the regulatory requirement of 11.5 per cent, indicating a stable position.

Beside healthy CAR, the amount for the number of AT-1 bonds becoming eligible for call option was low at ₹11,900 crore in FY24, hence less demand for replacement of bonds, said an executive with rating agency.

The offtake of capital through Tier-II bonds by banks and non-banking finance companies also declined by half to ₹24,529 crore in FY24 from ₹49,763 crore in FY23. SBI was also the largest issuer of Tier-II bonds at ₹10,000 crore.

NBFC LOAN SANCTIONS GROW 6% Y-o-Y IN Q3

Loans sanctioned by non-banking financial companies (NBFCs) increased 6 per cent year-on-year (Y-o-Y) in the quarter ended December 2023 (Q3FY24), led by consumption, gold, and personal segments in the festive season. Sequentially, loans fell by 4 per cent over the second quarter ended September 2023 (Q2FY24), said Finance Industry Development Council (FIDC). Consumer loan sanctions grew by 30 per cent Y-o-Y in Q3FY24, according to the FIDC statement. Consumer loans worth about ₹29,813 crore were sanctioned in Q3FY24, compared to ₹22,950 crore in Q3FY23. Sequentially, sanctions grew by 14 per cent over Q2 FY24. Gold loans also saw a 14 per cent Y-o-Y growth in sanctions in Q3 FY24. In absolute terms, sanctions were ₹44,743 crore in Q3 FY24, up from ₹39,305 crore in Q3FY23.

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