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# Indian banks will need \$90 billion capital by 2019: Fitch

By PTI | Updated: Jul 20, 2016, 06.09 PM IST

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NEW DELHI: Indian banks will need \$90 billion in total [additional funds](#) to meet global capital adequacy norms by 2019, [Fitch Ratings](#) said.

[Government's](#) decision to inject Rs 22,900 crore (\$3.4 billion) into 13 public sector banks, including [PNB](#), [SBI](#) and [Bank of India](#), is supportive of the credit profiles of these lenders, it added.

"That said, this step, on its own, is unlikely to address the pressures on the system driven by economic growth in light of the significant asset quality pressures and weak profitability prospects of these banks," the agency said.

In a statement, Fitch said that it estimates Indian banks will need \$90 billion in total additional capital, "most of which will be accounted for by the public banks", to meet Basel III requirements by 2019.

The first tranche of capital plan front loads a significant part of the Rs 25,000 crore in fresh equity capital that had been budgeted by the government for public sector banks this fiscal year.

Banks other than the 13 in yesterday's announcement will need to source additional capital, Fitch said.

"Fitch believes pressures on public bank credit profiles will remain, and more capital than the Rs 70,000 crore (\$10.4 billion) earmarked through to FYE19 will be needed from the government to restore market confidence and position the sector for long-term growth," the statement said.

Losses at public-sector banks in the second half of the fiscal year ending March 2016 were double the government's capital injection in FY16, and eroded the equivalent of nearly 15 per cent of end-FY15 capital, Fitch said.

This caused loan-book contraction at many public banks, which brought sector-wide credit growth to below 10 per cent in 2016, the lowest increase in a decade.

Earlier this month, Fitch revised the sector outlook for Indian banks to negative from stable in part due to the rapid accumulation of stressed assets that have outpaced capital replenishment.

The market currently values almost all of the listed public banks at well below book value.

Without improved market access or further additional capital from the government, pressures on public banks' viability ratings will remain, and continue to act as a key driver for Fitch's sector outlook, it had said.

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