

<p>Benchmarks ></p> <p>Nifty LIVE</p> <p>11,140.25 -48.95</p> 	<p>NSE Gainer-Large Cap ></p> <p>BEL</p> <p>98.40 5.65</p> 	<p>Precious Metal ></p> <p>Gold (MCX) (Rs/10g.)</p> <p>34,652.00 -57.00</p> 	<p>Stock Analysis, IPO, Mutual Funds, Bonds & More</p> <p>Market Watch</p>
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Banks raising funds to grab NBFC share

BY SALONI SHUKLA, ET BUREAU | JUL 30, 2019, 07.20 AM IST

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MUMBAI: Top public and private sector banks are going on a fundraising spree as they seek to wrest market share from nonbanking finance companies (NBFCs) facing a credit crisis and smaller staterun banks weighed down by bad loans. At least three top public sector banks — State Bank of India, Bank of Baroda and Canara Bank — and two private lenders — Axis and RBL Bank — are planning to raise an aggregate of up to Rs 62,000 crore this year in a bid to accumulate growth capital.

State Bank of India is looking to raise as much as Rs 17,000 crore through bonds, with Rs 7,000 crore of this shortly as additional tier one (AT1) capital.

“We see consumption picking up around the festive season—second half is always the busy season and first half is the easy season,” said SBI chairman Rajnish Kumar. “We have recorded a 13% credit growth and hopefully if this trend continues then we have to be prepared.”

Credit disbursements by NBFCs dropped 31% to Rs 1.96 lakh crore at the end of March from Rs 2.83 lakh crore in the year earlier.

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Growth Opportunity

Top banks look to raise capital to explore growth as NBFCs struggle

Capital Plan	Opportunity
SBI: ₹17,000 cr	Difficulties in the NBFC sector
Axis Bank: ₹18,000 cr	
BoB: ₹12,000 cr	
Canara Bank: ₹12,000 cr	
RBL Bank: ₹3,500 cr	
	Banks have an opportunity to scale up to corner some of the business
	They will need more capital to do so

Bank Lending to NBFCs Slows

Bank lending to NBFCs also slowed to Rs 6.2 lakh crore at the end of May against Rs 6.4 lakh crore in March. NBFCs were gripped by the liquidity squeeze that followed the unexpected default by Infrastructure Leasing & Financial Services (IL&FS) in September last year.

"This is clearly growth capital as banks have frontloaded provisions with industry PCR (provision coverage ratio) average at 60% currently and the requirement will be much lower than FY19," said Siddharth Purohit, banking analyst with SMC Institutional Equities. "With additional capital coming in from the government to state-owned banks, we can expect to see credit recovery and higher profits in FY20."

In her July 5 budget, finance minister Nirmala Sitharaman pledged additional capital of Rs 70,000 crore for state-run banks this financial year. This will help some to provide for bad loans, exit the Prompt Corrective Action framework and facilitate higher lending to small and medium enterprises.

Bank of Baroda will raise as much as Rs 1,500 crore through the employee share purchase scheme (ESPS) and Rs 4,500 crore through AT1bonds. It plans to raise Rs 12,000 crore in the full financial year. Canara Bank plans to raise up to Rs 12,000 crore through a mix of equity and bonds during the current fiscal to fund its business growth. The state-run lender plans to raise Rs 6,000 crore through qualified institutional placements (QIPs) while the remaining is expected to come from bond placements.

Axis Bank is also looking to raise Rs 18,000 crore through a combination of QIPs as well as American and global depository receipts (ADRs, GDRs) as it looks to boost capital to drive loan growth mostly among retail customers and select corporates. RBL Bank is planning a share sale to raise up to Rs 3,500 crore, shoring up its capital base to expand into newer lending areas and maintain its fast-paced growth in retail banking.

"We will raise capital in the next few months—it will happen this fiscal," said RBL Bank CEO Vishwavir Ahuja. "We have taken an enabling resolution for raising between Rs 3,000 crore and Rs 3,500 crore, which was confirmed in the AGM last week. That's what we will start thinking and working on. It's on our radar this year, depending on market conditions."

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