

Bond issuances to slip below ₹90,000 cr in FY24: ICRA

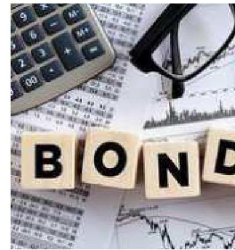
Our Bureau
Mumbai

Bank bond issuances are likely to decline below ₹90,000 crore in FY24 from the previous year's all-time high of ₹1.1-lakh crore as liquidity could ease to an extent, ICRA said.

“Overall credit growth momentum remains strong in relation to deposits in year-to-date FY24. As a result, the credit-to-deposit (CD) ratio of the banking system is expected to firm up.

“However, stronger foreign institutional investor / foreign portfolio investment inflows, as seen recently, in addition to the derecognition of the ₹2,000 currency note and an anticipated dividend by the Reserve Bank of India (RBI) could ease liquidity in the interim,” the rating agency said. This could potentially drive down the overall bond issuances below ₹900 billion from the peak in the previous year, it added.

ICRA observed that public sector banks will remain larger issuers of Tier-I bonds. The agency assessed that Tier-I/Additional Tier-I (AT-I) issuances are expected



Stronger foreign portfolio investment could ease liquidity, according to ICRA

to trail the FY22-FY23 levels (₹30,000-33,400 crore), partly due to lower scheduled call option, and will largely be dominated by public sector undertaking banks. Accordingly, outstanding Tier-I bonds are expected to increase slightly to ₹1.3-lakh crore by March 2024.

ICRA said credit growth is expected to witness a relative moderation in FY24, although it would continue to outpace deposit growth. As a result, tight liquidity conditions are likely to sustain through a major part of FY24, with the CD ratio for the banking system expected to increase and be closer to the pre-Covid-19 pandemic peak in FY24.