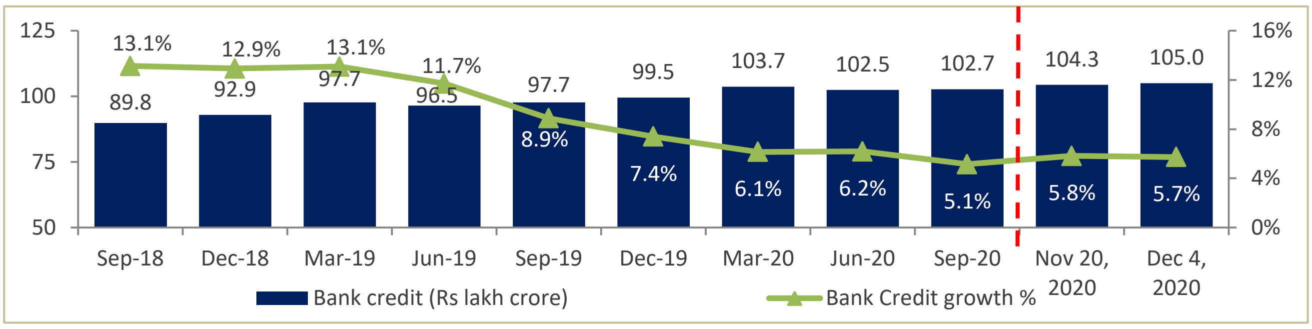
Credit growth remains flat while deposit growth increased over last fortnight

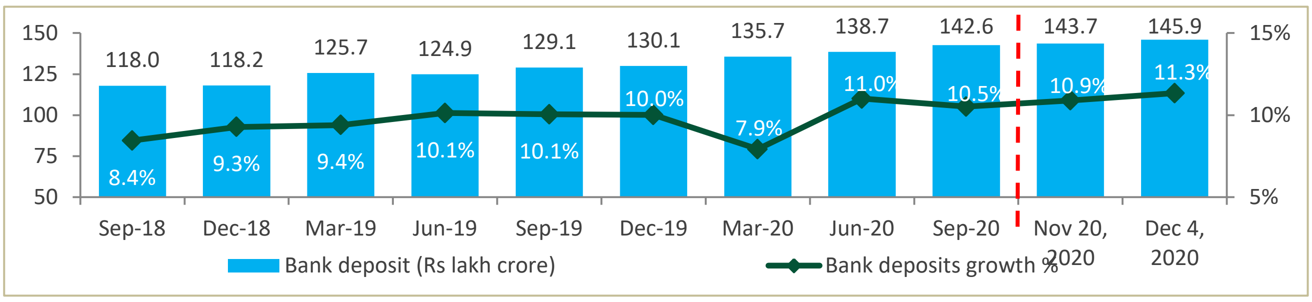
Figure 1: Growth of Bank Credit (y-o-y growth %)



Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI, CARE Ratings

- The bank credit growth decelerated to 5.8% and 5.7% during the last two fortnights, compared to last year's level of 8.0% and 7.9%, respectively (as of November 22, 2019 and December 06, 2019) reflecting subdued demand (compared to a year-ago period) and risk aversion in the banking system especially towards the corporate segment. The bank credit continued to record flat growth again in fortnight ended December 04, 2020 owing to subdued credit offtake. Also, given the asset quality concerns, banks have been being very selective with their credit portfolios. However, the overall bank credit growth has been backstopped by disbursements under ECLGS scheme (the scheme has been extended further till March 31, 2021).

Figure 2: Growth of Bank Deposits (y-o-y growth %)



Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI, CARE Ratings

- Deposits increased by 11.3% (as of December 04, 2020) vs. 10.3% in the year ago period (December 06, 2019) and 10.9% as compared with the previous fortnight (November 20, 2020). Moreover, as on December 04, 2020 the liquidity surplus in the banking system stood at Rs.5.8 lakh crores. The liquidity surplus can be ascribed to deposit growth outpacing credit growth persistently.
- However, government borrowings (Central: Rs 72,000 crores and States: Rs 31,358 crores) limited the banking system liquidity surplus during the fortnight. Additionally, the banking system liquidity is expected to remain in a surplus position aided by sustained growth in bank deposits as against slower growth in the bank credit.
- As given in Figure 3, time deposits account for 89.0% of aggregate deposits (89.5% share as on December 06, 2019) grew at a slower pace compared to demand deposits which account for the balance 11.0% (10.5% share as on December 06, 2019).

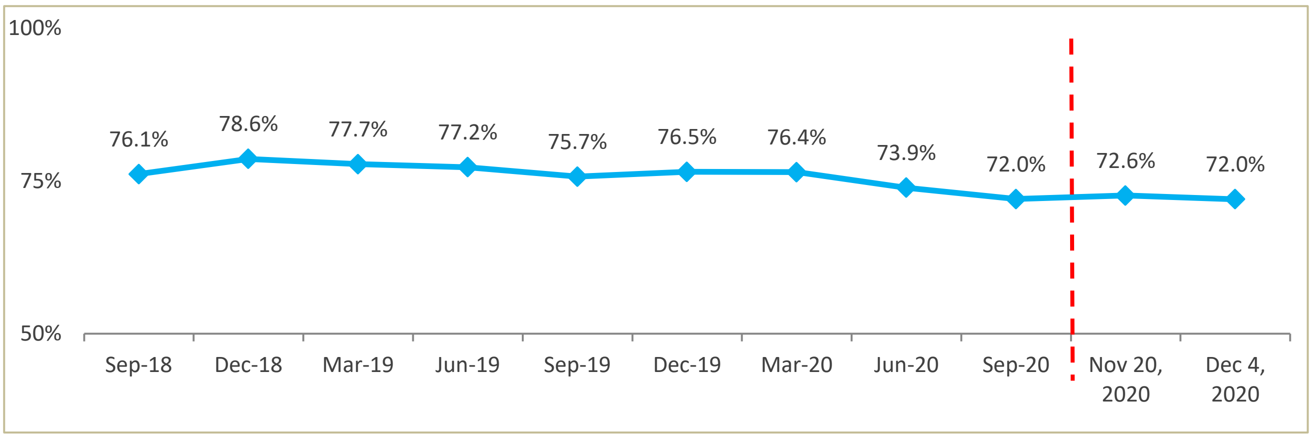
Figure 3: Demand Deposits and Time Deposits growth trend

Rs in lakh crore	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Nov 20, 2020	Dec 4, 2020
Demand Deposits	13.1	11.9	15.1	12.9	14.1	13.5	16.2	14.5	15.8	15.1	16.0
% growth y-o-y	5.9%	4.9%	10.3%	9.6%	7.6%	13.8%	7.0%	12.7%	11.9%	13.5%	16.0%
Time Deposits	104.9	106.3	110.6	112.0	115.0	116.5	119.5	124.1	126.9	128.6	129.9
% growth y-o-y	8.4%	9.7%	10.0%	10.1%	9.6%	9.7%	8.1%	10.8%	10.3%	10.6%	10.8%

Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI, CARE Ratings

- The Credit to Deposit (CD) ratio has largely stood at a similar level during the last two fortnights ended November 20, 2020 and December 04, 2020 (75.8% in the year-ago period) due to slower growth in credit. On the other hand, if we assume credit investments (includes regular credit investments and investments due to TLTROs, PCGS, etc.) to be at Rs.8.3 lakh crores for the fortnight ended December 04, 2020 (At October 2020 level as per latest data released by RBI) then the CD ratio would have been ~78%. On the other hand, if we assume the CD ratio to be constant at 76.0% (which was last observed in Mar-20) for the fortnight ended December 04, 2020, the incremental lending (considering only bank credit) would have been higher by approximately Rs.5.8 lakh crores.

Figure 4: Credit to Deposit (CD) ratio trend

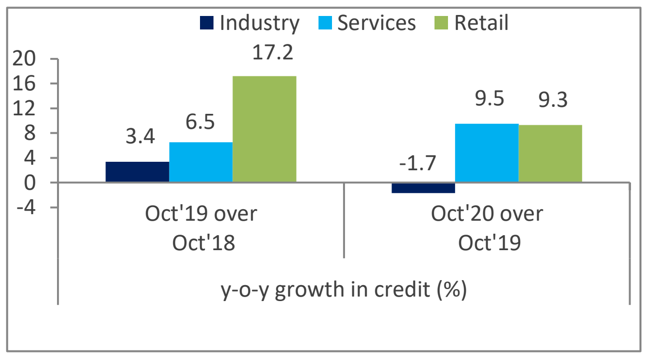


Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI, CARE Ratings

Bank credit growth has been mainly led by disbursements in ECLGS scheme

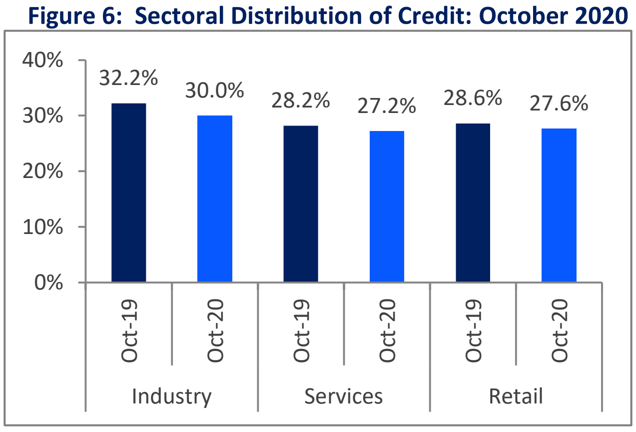
- During October 2020, the retail segment registered a growth of 9.3% on y-o-y basis and accounted for 28.6% share of the total credit during the period as compared to 27.6% a year ago.
- Services segment outstanding credit grew by 9.5% and industrial segment registered de-growth of 1.7% during the same period.

Figure 5: Trend in sectoral credit growth (%)



Source: RBI, CARE Ratings (refer report '<u>Bank Credit Profile: October 2020 – The growth engine of personal loans is slowing down</u>')

Figure 6: Sectoral Distribution of Credit: October 2020



Note: The remaining percentage share in both Oct-19 and Oct-20 accounts for 'Food Credit' and 'Agriculture & Allied Activities'
Source: RBI, CARE Ratings (refer report '*<u>Bank Credit Profile: September 2020 - Supported by ECLGS scheme</u>*')

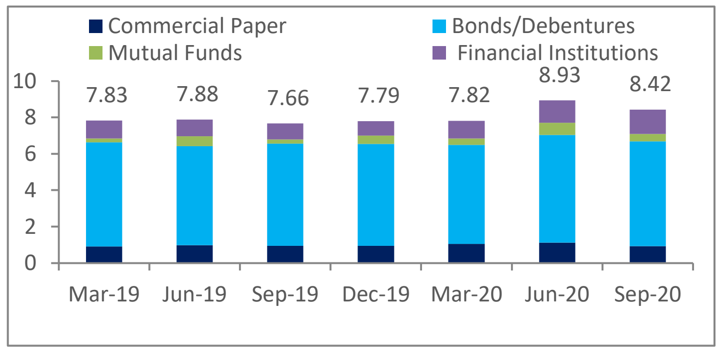
- The share of industrial segment continues to be the highest in the total outstanding credit followed by retail and services segment.
- Large industries account for 82.3% share (83.3% share in October 2019) in the total outstanding credit to industries and this segment reported a reduction of 2.9% in September 2020 as compared with a growth of 3.4% in October 2019.
- Micro, small & medium industries grew by 4.3% in October 2020 as compared with de-growth of 0.8% in previous year. Within MSME, micro & small industries registered a marginal growth of 0.7%, while medium industries registered a growth of 16.7%, and large industries registered a de growth as a result overall industry registered a negative growth.

- Though infrastructure has the maximum share of 36.5% in the total bank credit outstanding to industries, it registered a de growth of 2.0% as of October 2020 as compared with 6.8% a year ago.
- Trade segment registered a highest growth of 14.0% (5.2% in October 2019), followed by Tourism, Hotels & Restaurant with a growth of 12.0% in October 2020 (13.0% in October 2019). Of total 9 segments, 8 segments registered growth.
- In the service sector, NBFCs continue to form the largest part in the total credit outstanding to the services sector at 30.2% (30.3% share in October 2019) followed by trade (22.4%) and commercial real estate (8.8%).
- Housing loans continues to remain the single largest segment of lending in outstanding credit to retail/personal loan portfolio at ~53.0% share of the total credit outstanding in the personal/ retail loan segment. Housing loans segment growth has slowed to 8.2% in October 2020 as compared with 19.4% in October 2019.

Bank credit investments increased from a year-ago level

- SCBs credit investments increased by 9.9% in September, 2020 compared with the year-ago period (September 2019) aided by LTRO, TLTRO, PCG schemes of RBI/Government of India.
- Additionally, SCBs credit investments stood at 8.2% of the total bank credit, as of September, 2020 compared to 7.8% in September 2019.
- Bonds and debentures accounted for the highest share in SCBs credit investments at 68.5% in September 2020 (vs. 73.3% share in September 2019), followed by financial institutions and CPs at 15.8% and 10.9%, respectively (11.4% and 12.2% respectively in September 2019) and mutual funds at 4.8% (3.0% in the year-ago period).
- Within bonds and debentures, private corporate bonds and debentures accounted for 52.8% share of bonds/debentures; the public sector accounted for 21.5% and the balance 25.7% is made up by others.
- In H1FY21, the total corporate bond issuances amounted to Rs.4.43 lakh crores, 33% higher than Rs.3.33 lakh crores in the same period last year. Nearly 40% of the issuances have been raised by public sector undertakings (PFC, REC, HUDCO, NABARD, NHB, NTPC, NHAI, EXIM, and IRFC among others). (refer report 'Debt Market Updates for October 2020')

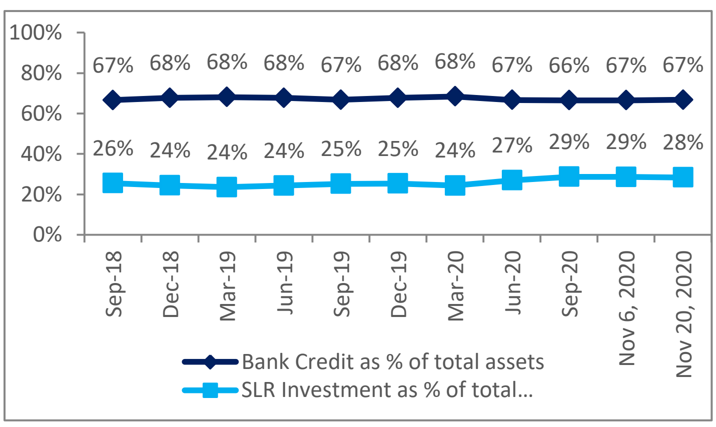
Figure 7: SCBs Credit Investment (Rs in lakh crores)



Source: RBI

Proportion of SLR investment and bank credit to total assets remained stable

Figure 8: Proportion of SLR Investment and Bank Credit to Total Assets



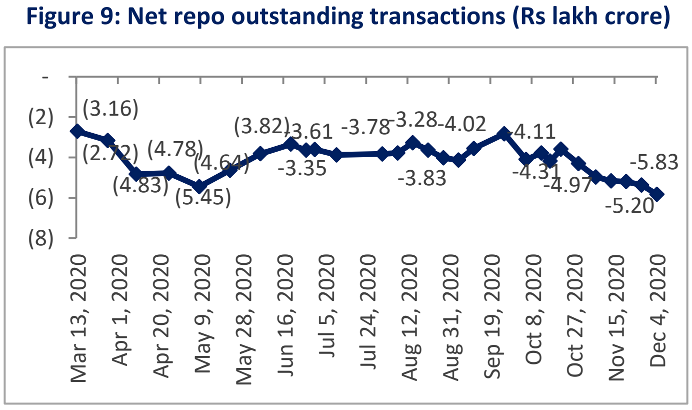
Note: The quarter end data reflects the last fortnight data of that particular quarter; 2) Total assets = Cash in hand + Assets with the Banking System + Investments + Bank Credit; Source: RBI, CARE Ratings

- The share of bank credit to total assets remained stable as compared with previous fortnight but has declined (by 1%) as compared to Mar-20.
- Considering credit investment to be at ~Rs.8.4 lakh crore (September 2020 level), the bank credit to total assets (including credit investments) would be ~72% for the fortnight ended November 20, 2020.
- Proportion of SLR investment to total assets has increased from Mar-20 and stood at 28% for the fortnight ended November 20, 2020. The SLR investments grew at 19.0% YoY compared with 8.6% in the previous year due to banks increased preference for government securities and as RBI has allowed banks to hold fresh acquisitions of SLR investments under HTM.

Liquidity in the banking system continued to remain in surplus position

- The outstanding liquidity aggregated Rs. 5.82 lakh crore as on December 4, 2020, Rs. 0.46 crore higher than Rs.5.36 lakh crore as on November 27, 2020. The liquidity surplus has scaled Rs 6.23 lakh crs on December 3, 2020, its highest level since the period the banking system has been in liquidity surplus (May'2019).
- Government borrowings during November (Central: Rs.1.01 lakh crores and states: Rs.0.63 lakh crores) limited the banking system liquidity surplus.
- Also, the notable widening of liquidity surplus can be ascribed to deposit growth outpacing credit growth persistently.
- As mentioned above, the liquidity surplus is approximate to reduction in Credit Deposit ratio, indicating that the liquidity largely arises out of the credit slowdown.

Figure 9: Net repo outstanding transactions (Rs lakh crore)



Net Repo Outstanding Transactions = Total Repo +MSF (Marginal Standing Facility) + SLF (Standing Liquidity Facility) – Total Reverse Repo; refer report '<u>Weekly Liquidity Report: December 1 - 4, 2020</u>'; dated December 07, 2020; Source: RBI

Yields of G-secs and corporate bonds declined in secondary market

Figure 10: Issuer-wise corporate bond yields in the primary markets (in %)

AAA rated	AIFs	HFCs	NBFCs	Others*
Sep-19	7.57	7.35	8.19	7.75
Dec-19	7.74	7.36	8.34	6.72
Mar-20	7.30	7.70	7.57	7.62
Jun-20	6.86	6.62	7.03	6.95
Jul-20	6.06	7.28	7.25	8.31
Aug-20	6.00	5.41	5.93	6.74
Sep-20	6.84	6.04	5.98	6.22
Oct-20	6.19	6.93	5.98	5.94
Nov-20	6.67	5.71	6.63	7.16

Note: *Others include banks and manufacturing companies.
Source: Prime Database; CARE Ratings' Calculation

- As given in 'Debt Market Updates for November 2020'; the weighted average yield of corporate bond issuances across all rating categories and maturities increased by 44 basis points to 6.88% compared with the previous month (6.44% in October 2020) though was 15 bps lower than that in April 2020 (7.03%). It was however, 147 bps lower than 8.35% last year.

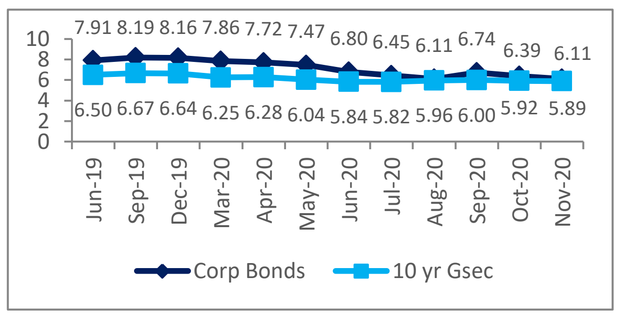
- The cost of issuances for key segments, i.e. All India Financial Institutions (AIFs), Housing Finance Companies (HFCs), Non-Banking Financial companies (NBFCs) and Non-NBFCs in the AAA rating category and the consequent changes in the yields shows mixed picture. When compared with October 2020, the weighted average yields of AIFs rose by 48 bps to 6.67% in November 2020. The cost of borrowings by AAA rated HFCs decreased by 1.21% to 5.71%. On the other hand, the cost of borrowings by AAA rated NBFCs increased by 64 bps while that of others including manufacturing and banks were 1.22% higher than the previous month.

- As can be seen in Figure 11, the secondary market yields of government and corporate debt securities (across all rating categories and maturities) declined in November 2020 from month ago.

- The average yield of the 10 year benchmark GSec fell by 3 bps to 5.89% in November 2020 from that in October 2020. The decline in GSec yields was aided by the RBI's measures announced in the monetary policy (9 Oct'20) to boost demand for government securities viz. increase in OMO purchases, liquidity infusions through TLTRO, and increased time limit for keeping government bonds in HTM category (till March 2022).

- Corporate bond yields (weighted average yields across all rating categories and maturities) at 6.11% in November was 28 bps lower than that in the preceding month. In case of commercial paper, the average yields dropped by 13 bps to record lows of 3.19%. Yields (weighted average) of corporate bonds and commercial papers have declined by 161 bps and 163 bps respectively since April 2020.

Figure 11: Secondary Market Yields: Gsecs and Corporate Bonds (in %)



Source: FBIL, RBI, FIMMDA and CARE Ratings calculations. Corporate Bonds yields are the weighted average yields across rating categories

Corporate bond spreads increased in November 2020

Figure 12: Corporate Bond Spreads over GSec: 10-year maturity

Month end (%)	Gsec yield	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
28-Jun-19	6.88	1.25	1.56	1.84	2.21	2.91	3.91	4.21	5.21	5.46	5.96
30-Sep-19	6.70	1.05	1.39	1.69	2.02	3.02	3.72	4.02	5.02	5.27	5.77
31-Dec-19	6.56	1.01	1.31	1.56	1.92	3.32	3.62	4.42	4.92	5.17	5.67
31-Mar-20	6.14	0.81	1.13	1.53	1.73	2.73	3.23	3.73	3.98	4.23	4.48
30-Jun-20	5.89	0.86	1.38	1.81	2.20	3.20	3.70	4.20	4.45	4.70	4.95
31-Jul-20	5.83	0.75	1.26	1.64	2.04	3.54	3.79	4.54	4.79	5.04	5.54
31-Aug-20	6.12	0.73	1.18	1.57	1.98	3.48	3.73	4.48	4.73	4.98	5.48
30-Sep-20	6.02	0.75	1.24	1.52	1.97	3.47	3.72	4.47	4.72	4.97	5.47
29-Oct-20	5.88	0.61	1.10	1.37	1.83	3.33	3.58	4.33	4.58	4.83	5.33
27-Nov-20	5.91	0.67	1.17	1.51	1.94	3.44	3.69	4.44	4.69	4.94	5.44

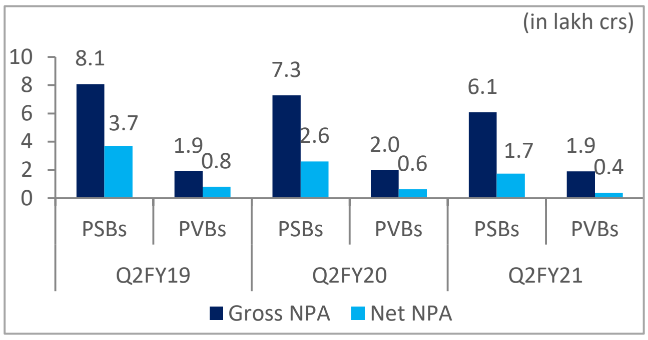
Source: FIMMDA

- The risk perception of corporate bonds rose in November 2020 from month ago as was highlighted by the widening of the spread between corporate bonds and the bench mark government securities of comparable maturity (10 years).

- The comparison of yield spreads on the last day of November 2020 with that of end October 2020 showed that the yield spreads for corporate bonds across rating categories from AA- to BBB- was 11 bps higher. In case of AAA rated bonds the spread widened by 6 bps and for AA+ rated bonds it rose by 7 bps.

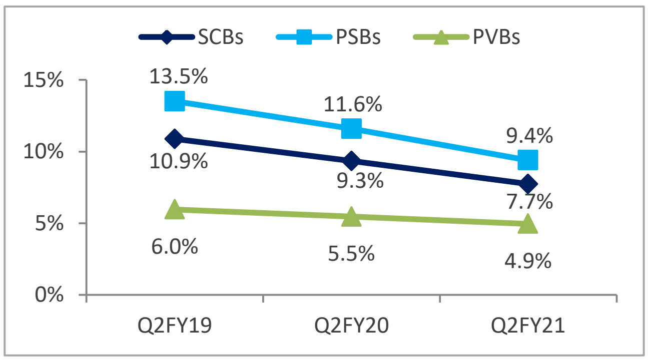
All banks (PSBs and PVBs) posted lower NPAs in Sept-end quarter

Figure 13: Value of gross NPAs



Source: Bank quarterly filings, Ace Equity, CARE Ratings Calculations

Figure 14: GNPA ratio



Source: Bank quarterly filings, Ace Equity, CARE Ratings Calculations

- The quantum of gross NPAs of SCBs declined during the quarter as compared with the same quarter in the previous year. The gross NPAs of PSBs contracted between Sept-18 and Sept-20. Among PSBs, the State Bank of India (SBI) which accounts for the highest share at ~20.0% of the GNPAs of PSBs in Q2FY21 reported the highest asset quality improvement, with a decline in GNPA ratio to 5.3% in Sept-20 vs 7.2% in Sept-19; followed by Punjab National Bank accounting for ~16% share which also posted lower GNPA ratio at 13.4% in Sept-20 vs 16.8% in Sept-19. Similarly, net NPAs also shrank to Rs.2.1 lakh crores in Q2FY21 from Rs.4.5 lakh crores in Q2FY19 reflecting an increase in provision coverage ratio (PCR). The aggregate provision coverage ratio (PCR) of all banks rose to 80% at the end of Sept-20 quarter from 68.9% in the previous year.

- The GNPA ratio of SCBs improved to 7.7% in the quarter ended Sept-20 against 9.3% in the year-ago period and 8.2% in the Jun-end quarter which was largely driven by PSBs. On an overall basis PSBs accounting for ~75% share of GNPAs of SCBs have experienced a drop in the GNPA ratio to 9.3% in the quarter ended Sept-20 against 11.6% in the year-ago period and 9.8% in Jun-20 quarter.

- The improvement in asset quality (GNPA reduction) has been due to recoveries (e.g. SBI Bank: Rs.4,038 crores, ICICI Bank: Rs 1,945 crores, Bank of Baroda: Rs.1,642 crores, Union Bank of India: Rs.1,218 crores, Bank of India: Rs.1,172 crores, Central Bank of India: Rs.907 crores, Indian Bank: Rs.795 crores, Bank of Maharashtra: Rs.556 crores and Canara Bank: Rs.449 crores) and higher write-offs by the multiple banks. e.g. SBI Bank (Rs.5,617 crores), Punjab National Bank (Rs.4,555 crores), Bank of Baroda (Rs.2,553 crores), ICICI Bank (Rs.2,469 crores), Canara Bank (Rs.2,342 crores) and Axis Bank (Rs.1,812 crores).

- Additionally, now that the moratorium offered by the banks has been lifted on September 01, 2020, the after-effect and the impact on the banks' balance sheets may be witnessed in the latter part of the year and subsequent period. Furthermore, the Honourable Supreme Court of India in its order dated September 3, 2020, ordered all banks to not classify Covid-19 related defaults as NPAs until further notice, or else the NPAs would have been higher. As per disclosures by banks, the Gross NPAs would have been around 0.5% to 0.6% higher had these accounts been classified as NPAs. However, following this many banks have kept aside extra provisioning for NPAs that may arise in future, or else the provisions would have been lower than reported in Sept-20. For eg: SBI (Rs.3,194 crores), ICICI Bank (Rs.497 crores), Bank of Baroda (Rs.293 crores), Central Bank of India (Rs.146 crores), Kotak Mahindra Bank (Rs.13 crores) provided additional provisions for defaults arising of these accounts in future.

- As the ongoing Covid-19 pandemic is significantly impacting businesses across the board, RBI has been announcing several measures one of which is one-time restructuring of loans (OTR) which is divided across three segments, corporate loans, MSME loans and personal loans. However, reportedly not many borrowers are opting for OTR scheme. For eg: Around 1 lakh retail borrowers of SBI had logged on to the website to check their eligibility (as said by Managing director of SBI) of which SBI has recast loans of only 4,000 borrowers under this facility, as not many borrowers were found eligible to have met the stringent conditions set by RBI. Subsequently, if these borrowers who are not eligible for OTR scheme are unable to re-pay their debts, this could further slip into NPAs in H2FY21.

Provisions decreased compared to last year level

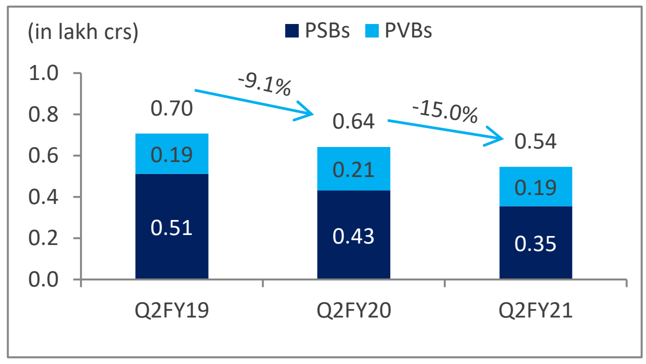
- Provisions of SCBs in the Sept-end quarter declined to Rs.0.54 lakh crores, lowest in the last two years. This was owing to significant fall in provisioning made by PSBs as can be seen in figure 16.

- Previously, following the outbreak of Covid-19, RBI had mandated all banks to make 10% additional provisioning over a period of two quarters (5% each in March and June 2020 quarters) on loan accounts where moratorium benefit had been extended, which resulted in banks providing higher additional provisions beyond the RBI's mandatory rate during both the quarters (provisioning of Rs.0.33 lakh crores by PVBs and Rs.0.50 lakh crores by PSBs in Mar-20; and in the quarter ended Jun-20 PVBs made provisioning of Rs.0.25 lakh crores and PSBs-Rs.0.38 lakh crores).

- The banks which have provided lesser provisions owing to lower slippages during the quarter include SBI (Rs.10,118 crores in Sept-20 vs Rs.13,139 crores in Sept-19), Union Bank Of India (Rs.4,144 crores in Sept-20 vs Rs.5,894 crores in Sept-19 - includes merged banks - Andhra Bank and Corporation Bank), Bank Of Baroda (Rs.3,002 crores in Sept-20 vs Rs.4,210 crores in Sept-19 - includes merged banks - Dena Bank and Vijaya Bank), IDBI Bank Ltd (Rs.581 crores in Sept-20 vs Rs.5,641 crores in Sept-19) and The Jammu & Kashmir Bank Ltd (Rs.325 crores in Sept-20 vs Rs.1,428 crores in Sept-19).

- The SMA-1 and SMA-2 of SCBs has been higher compared to Jun-end quarter and lower as compared with previous year (eg: SBI, Central Bank of India, Bank of Maharashtra), however, owing to this gradual rise in NPAs may be observed in CY2021.
- Additionally, the pandemic and resultant economic disruption have impinged on credit demand and could lead to a further credit deterioration in the performance of banks resulting in need of higher provisioning impacting the performance of banks and requirement of higher capital.

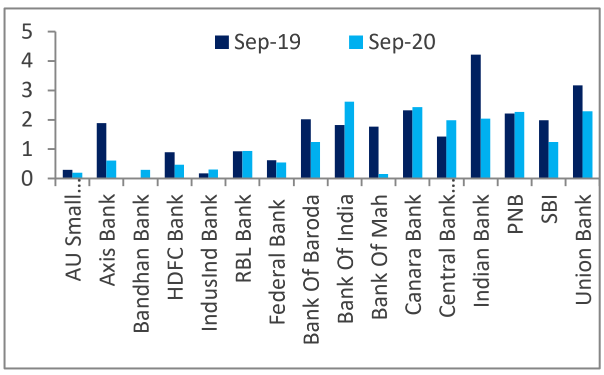
Figure 15: Provisions



Source: Bank quarterly filings, Ace Equity, CARE Ratings Calculations

Most of the banks witnessed a decline in credit cost

Figure 16: Trend in credit cost (%)

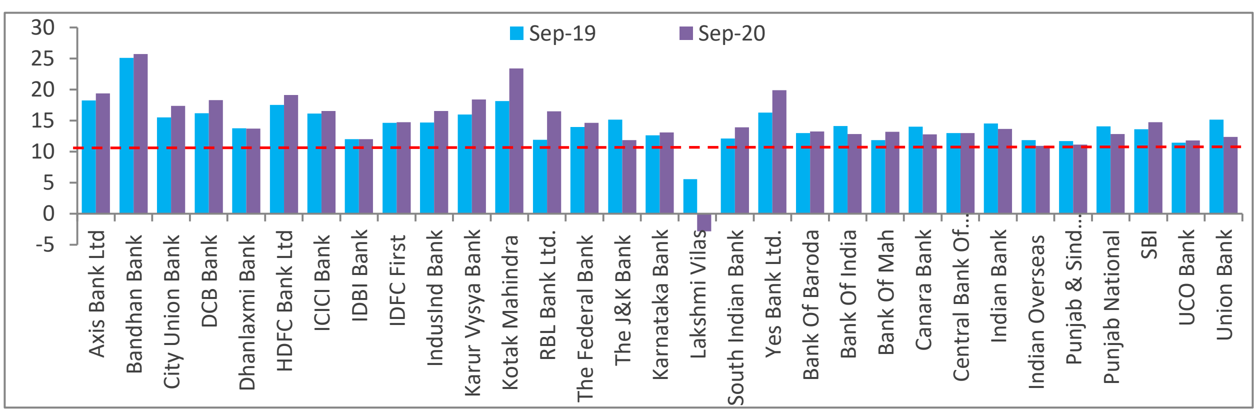


Note: Based on the availability of data, 16 SCBs have been considered; Source: Bank quarterly filings, CARE Ratings

- Out of the sample set included in figure 16, the credit cost of PVBs range between 0.2% to 1.0% and PSBs 0.1% to 2.6% during the quarter ended Sept-20.
- Bank of India, Canara Bank, Central Bank of India, and IndusInd Bank registered higher credit cost at 2.62%, 2.43%, 1.98%, and 0.31% respectively, in Sept-20 compared with 1.82%, 2.32%, 1.43% and 0.18% in Sept-19 on account of higher provisions for bad loans.
- Whereas, Bank of Baroda, SBI, Indian Bank and Axis Bank along with few others registered fall in credit cost in Sept-20 compared with year-ago period mainly owing to bad loans written off.

CAR norms generally met by banks

Figure 17: CAR% range of SCBs



Source: Banks performance results, Ace Equity, CARE Ratings

- As per Basel III regulations, all SCBs were required to maintain a CAR of 11.5% from March 31, 2020 onwards (CAR of 9.0% along with capital conservation buffer (CCB) of 2.5%).
- However, in view of the continuing stress on account of Covid-19, RBI on September 29, 2020 deferred the implementation of the last tranche of 0.625% of the Capital Conservation Buffer (CCB) from September 30, 2020 to April 1, 2021. Currently, the required CAR stands at 10.875%.
- Further, systemically important banks needs to maintain an additional requirement of over and above the 10.875% CAR (which includes SBI: 0.6%, HDFC: 0.2% and ICICI Bank: 0.2%). All SCBs excluding Lakshmi Vilas Bank reported CAR higher than the minimum regulatory requirement as on Sept-20.
- Lakshmi Vilas Bank posted lowest CAR at -2.85% in Sept-20 against 5.56% in the previous year. On November 27, 2020, Lakshmi Vilas Bank amalgamated with DBS Bank India Limited (DBIL), for which DBIL received capital infusion of Rs.2,500 crores from DBS Bank Limited (Singapore) to support its amalgamation. Presently, the bank has stated that it was well-capitalised, and its CAR remains above regulatory requirements after the amalgamation.
- Furthermore, owing to the challenging business environment banks have been increasing their capital base, as listed below:
  - In July, Yes Bank raised capital of Rs.15,000 crores through public offering to ensure adequate capital to support its growth and expansion pushing the CAR to 19.9% in Sept-20 quarter against 8.6% CAR reported in Jun-20.

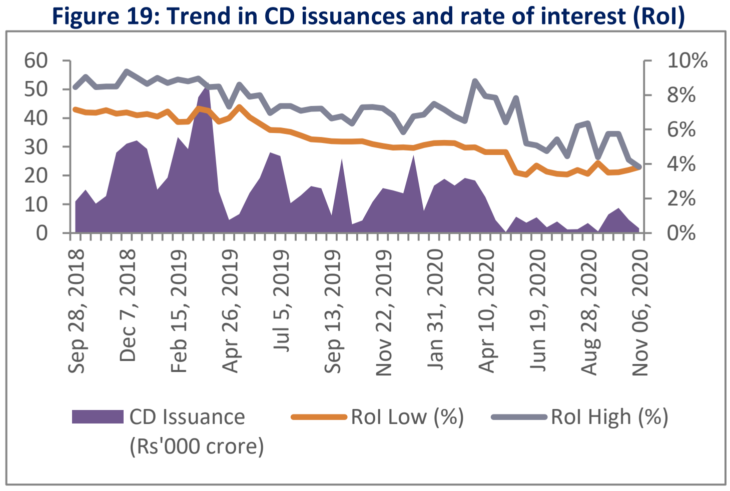
- Axis Bank raised Rs.10,000 crores in August 2020 through allotment of equity shares to qualified institutional buyers (QIB) and ICICI Bank raised Rs.15,000 crores through equity capital during the same month.
- Kotak Mahindra Bank raised Rs.7,000 crores during Sept-end quarter.
- SBI raised Rs 5,000 crores by issuing Basel-III compliant bonds in October 2020.
- In December 2020, Indian Bank raised Rs.1,048 crores by issuing Basel-III compliant bonds. During the same month, Canara Bank raised Rs 2,000 crore equity capital by issuing over 19 crore shares, followed by IDBI Bank (raised Rs 1,435 crores through QIP) and Punjab National Bank (raised over Rs.3,788 crores through QIP issue). Bank of Maharashtra also raised over Rs.200 crores through private placement of Basel III-compliant tier II bonds during December 2020.

O/s Level of CDs declined while CPs increased on m-o-m

Figure 18: Certificates of Deposit Outstanding

Fortnight ended	Amount Outstanding (Rs'000 crore)	Y-o-Y growth %
Jun 22, 2018	174.5	57.0%
Sep 28, 2018	151.0	31.9%
Dec 21, 2018	180.7	42.3%
Mar 29, 2019	272.3	46.6%
Jun 21, 2019	215.9	23.8%
Sep 27, 2019	188.1	24.6%
Dec 20, 2019	160.7	-11.1%
Mar 27, 2020	173.0	-36.5%
Jun 19, 2020	121.5	-43.8%
Sep 25, 2020	75.6	-59.8%
Oct 09, 2020	74.8	-58.7%
Nov 06, 2020	76.3	-55.5%

Figure 19: Trend in CD issuances and rate of interest (RoI)

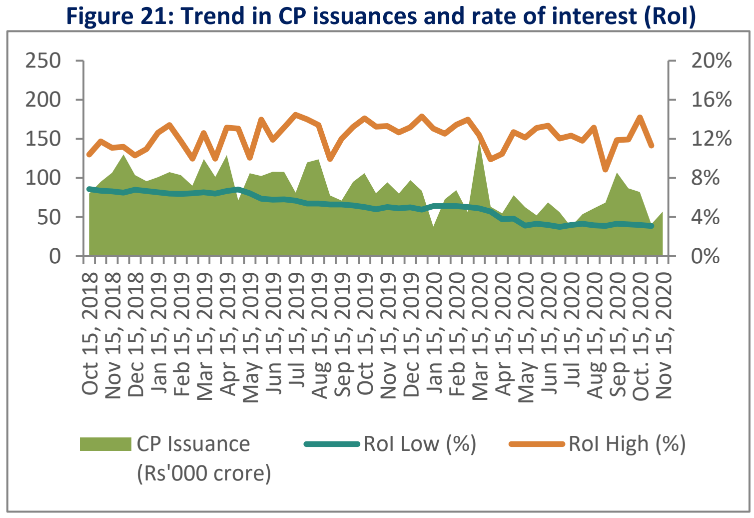


Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI

Figure 20: Commercial Paper Outstanding

Fortnight ended	Amount Outstanding (Rs'000 crore)	Y-o-Y growth %
Jun 30, 2018	491.8	49.3%
Sep 30, 2018	556.2	41.4%
Dec 31, 2018	498.7	21.9%
Mar 31, 2019	483.1	29.7%
Jun 30, 2019	503.9	2.5%
Sep 30, 2019	459.7	-17.3%
Dec 31, 2019	414.9	-16.8%
Mar 31, 2020	344.5	-28.7%
Jun 30, 2020	391.5	-22.3%
Sep. 30, 2020	362.3	-21.2%
Oct. 15, 2020	380.1	-21.8%
Nov 15, 2020	389.4	-15.8%

Figure 21: Trend in CP issuances and rate of interest (RoI)



Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI

Select RBI Announcements

Announcement	Details
Draft circular for declaration of dividend by NBFCs	• RBI has proposed that NBFCs should have at least 15% CRAR for the last 3 years, including the accounting year for which it proposes to declare a dividend. • It has also suggested that NBFCs should have leverage ratio of less than seven for the last three years, including the accounting year for which it proposes to declare a dividend. • Further, it has proposed that the Core Investment Company (CIC) should have Adjusted Net Worth (ANW) of at least 30% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items for last 3 years, including the accounting year for which it proposes to declare dividend.
Opening of Current Accounts by Banks	• The excluded cases include accounts for real estate projects mandated under Section 4 (2) l (D) of the Real Estate (Regulation and Development) Act, 2016, for the purpose of maintaining 70% of advance payments collected from the home buyers, nodal or escrow accounts of payment aggregators or prepaid payment

	instrument issuers for specific activities as permitted by RBI under the Payment and Settlement Systems Act, 2007, accounts for settlement of dues related to debit card, ATM card, and credit card issuers or acquirers.
On Tap Targeted Long-Term Repo Operations – Extension of Specific Sectors	• RBI notified that it has decided to cover 26 stressed sectors under the targeted long-term repo operations (TLTRO) scheme. The scheme has now been extended to 26 stressed industries, in addition to the five sectors announced earlier, recognized by the KV Kamath-led committee for loan relief. • The stipulation under ECLGS 2.0 that only entities with outstanding between Rs 50 crore and Rs 500 crore shall be eligible for the credit guarantee shall, however, not apply to funds availed under On Tap TLTRO.

Source: RBI

Other Announcements

Key recommendations of RBIs Internal Working Group
• The cap on promoters' stake in the long run (15 years) may be raised from the current level of 15% to 26% of the paid-up voting equity share capital of the bank. As regards non-promoter shareholding, a uniform cap of 15% of the paid-up voting equity share capital of the bank may be prescribed for all types of shareholders. • Large corporate/industrial houses may be allowed as promoters of banks only after necessary amendments to the Banking Regulation Act, 1949 (to prevent connected lending and exposures between the banks and other financial and non-financial group entities); and strengthening of the supervisory mechanism for large conglomerates, including consolidated supervision. • Well run large Non-banking Financial Companies (NBFCs), with an asset size of Rs 50,000 crore and above, including those which are owned by a corporate house may be considered for conversion into banks subject to completion of 10 years of operations and meeting due diligence criteria and compliance with additional conditions specified in this regard. • For Payments Banks intending to convert to a Small Finance Bank, track record of 3 years of experience as Payments Bank may be considered as sufficient. • Small Finance Banks and Payments Banks may be listed within '6 years from the date of reaching net worth equivalent to prevalent entry capital requirement prescribed for universal banks' or '10 years from the date of commencement of operations', whichever is earlier. • The minimum initial capital requirement for licensing new banks should be enhanced from Rs 500 crore to Rs 1000 crore for universal banks, and from Rs 200 crore to Rs 300 crore for small finance banks. • Non-operative Financial Holding Company (NOFHC) should continue to be the preferred structure for all new licenses to be issued for universal banks. However, it should be mandatory only in cases where the individual promoters / promoting entities/ converting entities have other group entities. • RBI may take steps to ensure harmonization and uniformity in different licensing guidelines, to the extent possible. Whenever new licensing guidelines are issued, if new rules are more relaxed, benefit should be given to existing banks, and if new rules are tougher, legacy banks should also conform to new tighter regulations, but a non-disruptive transition path may be provided to affected banks.

Source: RBI

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