

Lender augmenting core equity capital amid loan demand; pricing likely at 8.30-8.35%

Axis Bank to Roll Out AT-1 Bond Sale for a ₹3,000-cr Fundraise

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Mumbai: Axis Bank is likely to raise up to ₹3,000 crore through the issuance of additional tier-1 (AT-1) bonds in the coming days, as the private sector lender looks to augment its core equity capital amid a faster pace of credit growth than deposit growth, market sources said.

“They (Axis Bank) are likely to upload the details on the electronic platform tomorrow (Thursday) for an AT-1 issue with a base size of ₹1,000 crore and a green-shoe option of ₹2,000 crore,” a person in the know said. The bonds are likely to have a call option of 10 years.

Based on the demand for the debt sale, the coupon rate — or the rate of interest paid out to investors — could be in the range of 8.30-8.35%, another person said.

In early September, Axis Bank had raised ₹3,925 crore through the sale of 10-year infrastructure bonds, mobilising long-term capital through the debt sale.

The lender had raised the funds at a coupon rate of 7.45%, debt capital market executives had said. The bond issuance had a base size of ₹2,000 crore and a green-shoe option of another ₹2,000 crore.

AT-1 bonds are perpetual bonds, which have certain equity-like characteristics and features which permit banks to absorb losses in cases of severe financial stress. Given the higher risk perception associated with these bonds, banks typically pay a higher rate of interest to raise funds



Banks have issued bonds totalling ₹76,936 cr from April 1 to September 25, according to data from Prime Database

through these instruments than other debt securities.

Over the past couple of years, the banking system has witnessed a higher pace of incremental loan growth than deposit growth, compelling lenders to resort to bond sales and issuances of certificates of deposit to meet the credit demand.

According to figures provided by Prime Database, banks have issued bonds worth ₹76,936 crore from April 1 to September 25.

As of September 6, bank credit growth was 14.7% year-on-year, while deposit growth was 11.6%, latest Reserve Bank of India data showed.