

30-40 BPS LOSSES POSSIBLE POST CARE DOWNGRADE

# Nayara Bond Holders could Face MTM Losses

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**Mumbai:** Bondholders at Nayara Energy, formerly Essar Oil, may have to put up with marked-to-market losses after CARE Ratings downgraded its profile due to Russian ownership, market sources said. The rating action comes after the West imposed sanctions on Moscow.

The degree of marked-to-market losses would vary, depending on bond maturities. The losses could be in the region of 30-40 basis points for one notch downgrade, market sources told ET.

One basis point is 0.01%.

Two sets of Nayara bonds were outstanding worth ₹2,542 crore, according to Prime Database. Those were

sold in December 2020 and August 2021, with five-year and three-year maturities, for ₹257 crore and ₹2,285 crore, respectively.

ICICI Prudential Mutual Fund invested ₹548.67 crore in those bonds through half a dozen fund schemes, show data compiled by Value Research, an analytics company. The data was last updated on February 28, 2022.

However, the share of Nayara bonds is spread in the range of

0.81-2.96% in each of the individual mutual fund plans. Some of those fund plans include ICICI Prudential Credit Risk Fund, ICICI Prudential Balanced Advantage Fund, ICICI Prudential Regular Savings Fund and ICICI Prudential Child Care Fund - Gift Plan.

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Due to the lower share in the overall portfolio, net asset values (NAVs) should not show any significant change, dealers said. "There was no marked-to-market impact on account of the rating downgrade on the NAVs as the terms and conditions stipulate

an increase of interest rate payable by 0.25% per annum in the event of a rating downgrade," said an executive familiar with the matter.

ICICI Prudential Mutual Fund declined to comment.

"The revision in long-term ratings assigned to the bank facilities and debt instruments of Nayara Energy

(Nayara) considers impact on the credit profile of Rosneft Oil Company (Rosneft) due to ongoing geopolitical events, which is also reflected by Rosneft's credit rating downgrades by global credit rating agencies," CARE Ratings said in the rating rationale on March 17.

To be sure, Nayara is not dependent

on operational and financial support from Rosneft in the immediate near term, the local rating company said.

Russia's state-run energy giant Rosneft owns a 49% stake in Nayara Energy, with Russian investment group UCP and global oil trader Trafigura being the other shareholders. With Trafigura around, it is unlikely that Nayara would face any difficulty in sourcing crude for its 20-million-tonne refinery.

A large private bank had invested in those papers in the primary market only to down-sell them to other institutional investors, said market sources. Another set of papers sold in August 2018 came up for maturity in July last year for ₹2,400 crore.

Nayara and other refiners are enjoying strong refining margins globally these days due to a sharp rebound in fuel demand, leading to strong cash flows.