Corporate bond issues dip in H2 of calendar 2023, but outlook optimistic

Janaki Krishnan
Mumbai

Corporate bond issuances have dipped in the second half of calendar 2024 compared to the same period a year ago, in the absence of the erstwhile HDFC, market volatility, higher yields and some liquidity concerns.

In the period from July to date, companies raised ₹2.9-lakh crore, down 17.6 per cent from a year ago, according to data from Prime Database. The top five issuers accounted for around 29 per cent of the total mop-up. The corporate bond market, which got off to a fiery start this year, saw robust supply and demand till June. The pace moderated in July and August, and while there was a pick-up in September, it crashed in October. In November, however, things seem to be looking up with a flurry of issuances from corporates such as Reliance Industries, banks and NBFCs.

Part of the reason for the dip is the absence of HDFC Ltd, which used to be a big issuer, according to experts

Part of the reason for the dip is the absence of HDFC Ltd, which used to be a big issuer, according to Venkatakrishnan Srinivasan, Founder and Managing Partner, Rockfort Fincap. He pointed out that after June, the Reserve Bank of India got hawkish and the prospect of OMO sales kept the markets on edge.

"Liquidity is becoming a concern," said Srinivasan. "The markets are dicey and there are no positive cues."

Like last year, bonds having coupons of 7-8 per cent raised the highest amount, with not much difference in the proportion of funds raised within coupon ranges. Srinivasan said the rate hike transmission is still to take effect and, on average, most issuers have issued at the same rates as they did a year ago. Tenors have, however, changed. Issue of 1-2 year paper spiked, and, to a lesser extent the 2-3 year paper. Longer tenure paper, in the 10-15 year slab and over 15 years, are also being issued.

Most issuers are sticking to short maturing papers as they expect some rate-cuts toward the middle or the second half of the year. However, investor appetite is robust as insurance companies, private credit firms, family offices and corporate treasuries have funds to invest.