

Corporate bond issuances revive on stable markets

Estimates suggest companies might have raised ₹82,590 crore as of November 28

ANJALI KUMARI

Mumbai, 29 November

Corporate bond issuances rebounded in November following a decline in October as the market gained certainty after the US Federal Reserve adopted a dovish stance, according to market participants. In October, fundraising through corporate bonds experienced a 40 per cent drop, primarily driven by an increase in the cost of borrowing.

Estimates suggest that Indian companies might have raised ₹82,590 crore as of November 28, according to market sources, against ₹33,148 crore in October.

Fundraising in November might have been the third-highest in the current financial year (2023-24) after May and June. Corporate bond issuances were ₹1.03 trillion and ₹1.2 trillion in May and June of the current year, respectively.

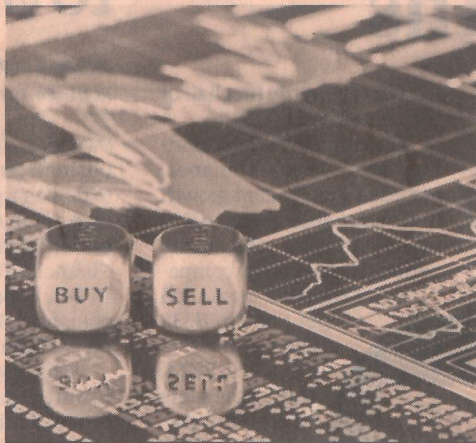
Market participants anticipate that December's issuances may surpass those of November due to positive market sentiment. The market believes that interest rates may have reached their peak and have instilled a sense of stability, prompting investors to explore opportunities within the debt market.

Furthermore, the market is projecting a total increase of a minimum of 15-20 per cent in corporate bond issuances for the entire current financial year compared to the last year.

The main factor driving the increase in issuances in November was the deferral of issuances initially slated for October, market participants said.

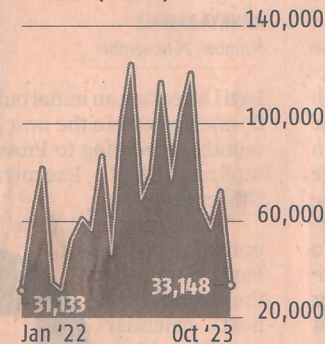
Issuers postponed these issuances due to heightened market volatility, with the US yield hovering around 5 per cent. Investors, wary of uncertainty, refrained from placing large bets in the corporate bond market and turned towards the government bond market as the latter is more liquid in nature.

"The primary reason for so many issuances is the stability in the market because in October there was a lot of volatility in the market," said Ajay



TRACKING THE TREND

Amount (₹ crore)



Source: primedatabase.com

Bharti plans to raise biggest ever ₹ bonds

Bharti Telecom, owned by Sunil Bharti Mittal, is planning to raise as much as \$961 million in the local-currency bond market, according to people familiar with the matter. The company is seeking bids for notes due in two-, three- and five years on Friday, the people said, adding bonds have a coupon in 8.90 per cent to 9 per cent band. If the deal goes through, it will be Bharti Telecom's largest ever rupee issuance, according to data compiled by Bloomberg.

BLOOMBERG

Manglunia, managing director and head (institutional fixed income) at JM Financial.

"Issuers who were not able to raise money in October due to high rates came to the market in November," he added.

In October, the yield on corporate bonds rose nearly 10-15 basis points (bps) across maturities.

Another factor leading to the rise in issuances was the Reserve Bank of India's (RBI's) decision to raise the risk weight on banks' credit exposure to non-banking

financial companies (NBFCs), market participants said.

"After the RBI circular on risk weighting, many public sector undertakings, including Power Finance Corporation, REC, Small Industries Development Bank of India, Indian Railway Finance Corporation, Canara Bank, and many more corporates have tapped the bond market this month. The market is speculating about many corporates including Bharti Telecom, Bank of Baroda, DME and many others to tap the bond market before policy," said Venkatakrishnan Srinivasan, founder and managing partner, Rockfort Fincap.

"Many corporates are also keen to raise funds through bonds for their acquisition deals," he added.

Following the RBI's recent action, the cost of borrowing for NBFCs from banks is projected to increase by 10-30 bps. On the other hand, there was a slight rise in yields on corporate bonds, ranging from 5-10 bps due to the incremental surge in bond supply in November.

However, on a year-on-year basis, primary issuances experienced a decline of around 20 per cent in the month. In the second half of the current calendar year, the issuances were down by around 18 per cent compared to a year-ago period.