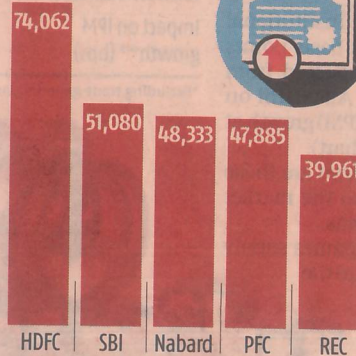


Corp bond issuances hit new high in '23

LEADERBOARD

(in ₹ crore)

Top 5 corporate bond, NCD issuers in 2023



Source: Merchant bankers



ANJALI KUMARI

Mumbai, 25 December

Corporate bond and non-convertible debenture (NCD) issuances have hit a record high in 2023, with companies and financial institutions raising ₹8.82 trillion through these instruments until November.

The reason for this surge in issuances, apart from regulatory factors, could be the interest rate differential between an AAA-rated bond and one-year marginal cost of fund-based lending rate (MCLR). According to market participants, fundraising through NCD and corporate bond issuances might exceed ₹9 trillion by the year-end — nearly 18 per cent more than last year's ₹7.63 trillion.

Turn to Page 10



P10

SPAM & SCAM: THE TELECOM STORY

PAGE 2

Generics may dent pharma drug market

Top guns not blazing in phone, tablet, TV sales

Shah Rukh, smartphone, and scale

14

THE YEAR THAT WAS: NOTES FROM THE PLANET

PAGE 13

Corp bond...

The top five issuers in the current calendar year through November have been HDFC, State Bank of India (SBI), National Bank for Agriculture and Rural Development (Nabard), Power Finance Corporation (PFC), and Rural Electrification Corporation Limited (REC).

According to Prime Database, HDFC raised ₹74,062 crore from the debt market. SBI was the second on the list with ₹51,080 crore, according to market sources. It was followed by Nabard (₹48,333 crore), PFC (₹47,885 crore), and REC (₹39,961 crore).

Market participants said the corporate bond market showcased resilience and promise in 2023. The interplay of regulatory adjustments, interest rate dif-

ferentials, and the diversification of issuers fuelled the year of historic highs. Their outlook for 2024 is cautiously optimistic.

At ₹82,590 crore, fundraising in November was the third-highest monthly number in the current financial year, after June's ₹1.20 trillion and May's ₹1.03 trillion. Regulatory changes like the Reserve Bank of India's (RBI's) increased risk weighting for unsecured lending propelled the market upwards, said the participants. The risk weighting for bank loans to higher-rated non-banking financial companies

(NBFCs) was also increased by 25 percentage points.

Reliance Industries raised ₹20,000 crore in November through 10-year bonds at a coupon of 7.79 per cent, in the largest bond issuance by a non-financial Indian firm. Another significant issuance this year came from Goswami Infratech Pvt Ltd, a Shapoorji Pallonji (SP) Group company. It raised ₹14,300 crore at 18.75 per cent. The issue, rated BBB- by CARE, was teetering on the edge of maintaining its 'investment grade' standing.

Compared to last year, when banks encouraged borrowing

amid a liquidity surplus, the dynamics shifted in 2023. Tight liquidity conditions this year, according to participants, have nudged financial institutions to the market for funds.

Ajay Manglunia, managing director and head (institutional fixed income), JM Financial, said the situation was different last year because there was a systematic liquidity surplus and banks were keen on a credit offtake. "But this year, the liquidity tightening is forcing banks to borrow from the market and they don't have room to lend further. Credit offtake is also outpacing deposits."

In the first half of the calendar year, the market saw big issuances from HDFC before its merger, with notable offerings in April, May and June. Other NBFCs and PSUs were also active players throughout the year, bringing new issuances. Entities like Nabfid and Reliance entered the market, with substantial offerings.

The market began factoring in potential rate cuts, and tightening liquidity in the system increased the urgency to secure funds promptly. The fear of quantitative tightening or similar measures prompted issuers to expedite borrowing before

any policy shifts.

The interest rate environment played a key role, with bank loans and MCLR registering higher figures than annualised bond rates.

"From January to June, there were plenty of issuances from HDFC. NBFC issuances and PSU issuances also rose. The new RBI norm on unsecured lending led to a rise in issuances. MCLR rates are much higher, while NCD rates are 7.65-7.70 per cent (10-year) for AAA. So the issuances have risen," said Venkatakrishnan Srinivasan, founder and managing partner, Rockfort Fincap LLP.