

India Inc raises more funds via CP route than corporate bonds

SAFE BET. Up to June 12, there were 1,920 CP issuances by companies, aggregating ₹4,39,693 crore

Our Bureau

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India Inc has so far raised more short-term resources via the commercial paper (CP) route against longer-term resources via the corporate bond route in the current financial year.

This comes amid investors' expectation that interest rates could go up during the course of the year due to possible inflationary pressures, resulting in them seeking higher coupon rate on private placement of debt (non-convertible debenture/NCD issuances).

So, to reduce cost of resources, companies stepped up CP issuances at softer rates.

In the current financial year (up to June 12), there were 1,920 CP issuances by companies aggregating ₹4,39,693 crore.

During this period, the

number of corporate bond issuances was at 607 aggregating ₹1,51,117 crore, according to data sourced from Prime Database.

The aforementioned data clearly show that raising funds via CPs suited issuers as investors were demanding higher coupon for NCDs.

The average yield to maturity for CPs was at 7.46 per cent against average coupon rate of 7.76 per cent for corporate bonds, per Prime Database. In the first quarter (April-May-June) of FY25, there were 2,166 CP issuances by companies aggregating ₹4,50,746 crore.

During this period, the number of corporate bond issuances was at 982 aggregating ₹3,57,907 crore.

FOREX MEASURES

Venkatakrishnan Srinivasan, Founder and Managing Partner, Rockfort Fincap LLP, observed that the movement in both CP and NCD markets



FUNDING DRIVE. In the first quarter of FY25, there were 2,166 CP issuances by companies, aggregating ₹4,50,746 crore

since RBI's monetary policy and subsequent forex-support measures reflects a significant shift in corporate funding behaviour.

He opined that prior to the forex-support measures, elevated bond yields, geopolitical tensions in West Asia, crude oil volatility, rupee weakness and concerns over imported inflation made issuers reluctant to lock themselves into long-term fixed-rate borrowings.

Consequently, many cor-

porates preferred shorter-tenor CPs, floating-rate bonds and EBLR (external benchmark-linked lending rate) bank loans that offered greater flexibility in an uncertain interest rate environment.

RBI INITIATIVES

Venkatakrishnan emphasised that following the RBI's initiatives to attract foreign currency inflows through FCNR(B) deposits, ECB-related swap concessions and

other measures, borrowing costs across markets have eased materially, with both CP and NCD yields declining by nearly 40-60 basis points (bps) from pre-policy levels.

"Looking ahead, the sharp correction in CP and NCD yields witnessed after the RBI measures may not be fully sustainable through the remainder of FY27. From a market activity perspective, CP issuances are likely to remain the preferred funding avenue for many highly rated corporates because of their flexibility, lower all-in cost and ease of rollover," said Venkatakrishnan.

"CP issuances and outstanding volumes are expected to potentially reach all-time highs in FY27. The NCD market is likely to witness a meaningful revival from the subdued levels seen at the start of the financial year as issuers utilise the current window to lock in funding costs," he added.