

Corporate bond issuances rise 28% in June on lower borrowing costs

Press Trust of India

Fundraising through corporate bonds jumped 28 per cent year-on-year in June as lower yields on government securities, easing borrowing costs and improving market sentiment prompted companies to return to the debt market after a subdued two months.

According to Prime Database data, Indian companies raised ₹1.33 trillion through corporate bond issuances in June, compared to ₹1.04 trillion in the year-ago period and ₹93,675 crore in May.

"The sharp increase in corporate bond issuances during June was primarily driven by a favourable shift in market conditions after a relatively muted April and May. The most important catalyst was the significant decline in benchmark government securities (G-Sec) yields, which reduced borrowing costs across the corporate bond market," said Venkatakrishnan Srinivasan, managing partner at Rockfort LLP.

Mataprasad Pandey, vice president at Choice Wealth, said the surge in issuances was driven by factors such as the US-Iran peace deal, which pulled Brent crude towards the USD 70 mark, easing concerns over inflation and fiscal slippage.

Most issuers deferred their borrowing plans during April and May due to elevated yields, geopolitical uncertainties and volatile crude oil prices. However, in June, as uncertainty receded, corporates had an opportunity to tap the bond market and raise funds at lower rates.

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According to Srinivasan, the rally in the bond market was supported by strong foreign portfolio investor inflows into government securities, expectations surrounding India's inclusion in the Bloomberg Global Aggregate Bond Index, easing crude oil prices during most of June, improving monsoon progress and the Reserve Bank of India Governor's remarks that it was premature to discuss interest rate hikes.

Softening in benchmark G-Sec yields was transmitted to the corporate bond market, leading to lower pricing for AAA-rated issuers and allowing companies to raise funds at rates lower than those available in April and May.

Pandey added that the RBI's recent measures, along with strong domestic demand and foreign inflows into the debt market, contributed to a broad-based bond rally during the month.

On the outlook, Srinivasan said primary market activity is expected to remain healthy through at least the first half of the current fiscal year, although issuances could become more opportunistic amid rising global uncertainties.

He cautioned that renewed geopolitical tensions in West Asia, higher crude oil prices, global inflation trends, US monetary policy and foreign portfolio investment flows would be key factors influencing domestic bond yields and issuance activity in the coming months.

However, India's improving monsoon, calibrated liquidity conditions maintained by the RBI and robust domestic institutional demand continue to support the corporate bond market, he said.

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