Issuances of corp bonds rise 28% as yields soften

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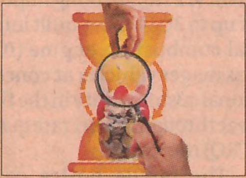
FUNDRAISING THROUGH CORPORATE bonds jumped 28% year-on-year in June as lower yields on government securities, easing borrowing costs and improving market sentiment prompted companies to return to the debt market after a subdued two months.

According to Prime Database data, Indian companies raised ₹1.33 lakh crore through corporate bond issuances in June, compared to ₹ 1.04 lakh crore 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.

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 $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.



AT A GLANCE

- Easing borrowing costs and improving market sentiment also prompted companies to return to the debt market
- Most issuers deferred borrowing plans in April and May on elevated yields, geopolitical uncertainties and volatile crude oil prices

Yields on government securities eased sharply after the Iran-US peace deal, which led to a sharp correction in the Brent crude oil prices in the international market.

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.