

Firms grow shy of public bond route

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Public bond fundraising has slipped to a three-year low as companies lean on cheaper bank credit lines, while higher yields, longer execution time and difficulty in selling bonds in the secondary market keep the public route unattractive for them, according to three debt capital market officials.

Companies raised ₹3,898 crore through public bond issues between 1 April and 21 September, down from ₹4,740 crore in the year-ago period, according to Primedatabase.com. The number of issues fell to 15 from 20.

Fundraising through this



Public bond fundraising has fallen to a 3-year low. REUTERS

route was last lower during the comparable period of FY23, when it was at ₹3,374 crore.

In a public issue, firms can borrow funds by offering debt securities for subscription by

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Public bond issues lose favour, cos' fundraising at 3-year low

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the public, as against private placement that entails issuance of securities to select entities, largely institutional.

The slowdown comes amid a sharp rise in yields due to the West Asia war-triggered spike in oil prices that is fuelling inflation worries. This is turning issuers towards cheaper bank funding lines as well as the growing cost advantage of private placements.

The weighted average lending rate on fresh rupee loans of commercial banks fell to 8.52% in July from 8.99% in March, latest RBI data showed.

"Corporate bond issuances are currently facing competition from bank credit, as the latter remained relatively stable," V.R.C. Reddy, treasury head at Karur Vysya Bank, said. Borrowers with bank limits and easy access bank credit are likely to prefer bank funding over the bond market when the cost differential is favourable, Reddy said.

Yield on the 10-year corporate bond issued by benchmark National Bank for Agriculture and Rural Development has risen 15 bps to 7.83% since 2 April. The 10-year benchmark government bond yield was 7.05% Monday.

The fundraising was mostly concentrated in April, when



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ICL Fincorp, Capri Global Capital and Muthoot Fincorp together raised ₹1,010 crore. Kosamattam Finance raised ₹300 crore in May, while Edelweiss Financial Services, Muthoot Mercantile and Prachay Capital raised total ₹485 crore in June. Muthoot Fincorp added ₹600 crore in June-July, followed by four deals in August and two in September, per Primedatabase.com.

The economics of a public issue are also a constraint, said Venkatakrishnan Srinivasan, founder of Rockfort Fincap. "The first issue is cost. A public issue involves merchant banker fees, legal and due diligence costs, extensive documentation and disclosures, listing costs, advertising, mar-

keting and distribution expenses," he said.

Private placements can offer faster execution and greater pricing flexibility, he said, while institutional investors can take large allocations.

But it's not that private placements have had a robust run. "Generally, corporate bond issuances by way of private placements have also fallen this year, which has also impacted public issuances. This is largely because yields have been high and secondly, the uncertainties," a senior debt merchant banker said.

Private-placement fundraising through corporate bonds also moderated so far in FY27, with issuers raising ₹5.09 trillion between 1 April and 21 September, over 2% lower than the ₹5.22 trillion raised in the year-ago period. The number of issues fell to 1,861 from 1,933 a year ago, Primedatabase.com showed.

The public market also faces a structural retail problem. Srinivasan said investors may compare corporate bond coupons with bank FDs, while the secondary market can make exits difficult. He said the market needs not just easier access for retail investors but confidence that they can exit once they have bought a bond.

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