

**SPREADS OVER GOVERNMENT BONDS WIDEN**

# Investors Cautious, New Commercial Paper Issues Fall 31% in June

**Our Bureau**

**Kolkata:** Corporate bond issuances fell 31% in June and spreads over government debt rose, even as mutual funds remained cautious buyers after the recent spate of defaults.

Volumes were ₹33,547 crore compared with ₹48,540 crore seen in the preceding month, according to PRIME Database.

Spreads of AAA-rated corporate bonds over government securities widened across maturities in June. Spreads on the one-year paper widened by 20 basis points, three-year by 26 bps and five-year by 19 bps. The AAA-rated 10-year corporate bond spreads also widened by 7 bps in a month, reflecting investor appetite only for safer paper amid mounting credit risks.

Weighted average cost of bond issuances in the primary market, however, dipped 21 bps to 8.28% in June from 8.49% in May, as the Reserve Bank of India ensured higher liquidity flow into the system. Liquidity moved into surplus in June after being in deficit since September 2018.

Banking and term-lending institutions accounted for the highest share of corporate bond issuances at 29%, followed by roads and highways (22%), financial services and investment (19%), hou-

sing finance (9%), power generation and supply (8%), housing/civil construction/real estate (7%), cement and construction (1%) among others, the report said.

All the issuances in June were via private placements.

In Q1 FY20, corporate bond issuances aggregated to ₹1.07 lakh crore, 10% higher than ₹97,316 crore in the corresponding period of last year.

The commercial paper market also saw thinner volume: Total issuances in June amounted to ₹50,950 crore, 61% lower than issuances in May and 65% lower than issuances in the corresponding month of last year. The

cost of borrowing via commercial papers declined substantially by 66 bps to 6.82% in June compared with 7.48% a month ago, CARE Ratings said in a report.

The central government raised ₹68,000 crore by way of market borrowings or auction of government securities, which was ₹17,000 crore or 20% lower than the borrowing in the previous month (₹85,000 crore in May) and 42% higher than the ₹48,000 crore raised year ago (June).

**Banking and term-lending institutions accounted for the highest share of bond issuances, followed by roads and highways**