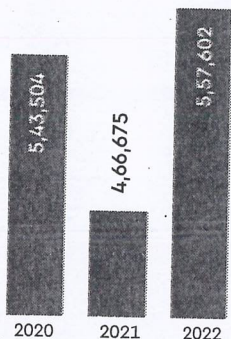


Record redemption of corp bonds not a cause for concern

Corporate bond redemption

₹ crore



Type of issuers whose bonds due to mature in 2022

Issuer type	Amount (₹ cr)	(%)
Pvt sector - NBFC/financial services	159,206	29
Pvt sector - manufacturing/services	123,142	22
All India financial institutions & banks/ subsidiaries- public sector	120,937	21
All India financial institutions & banks/ subsidiaries - Pvt sector	77,056	14
Public sector undertakings	47,540	9
Public sector banks	18,319	3
State-level undertakings	5,938	1
State financial undertakings	4,857	1
Public sector banks subsidiaries	606	0
Total	557,602	

Source: Primedatabase.com

MANISH M SUVARNA
Mumbai, January 6

APPROXIMATELY ₹5.6 LAKH crore of corporate bonds are due to mature in 2022, nearly 20% higher than redemptions due in 2021. According to data compiled by the Prime Database, the amount due for maturity last year was ₹4.7 lakh crore, while it was ₹5.4 lakh crore in 2020.

Corporate bonds include those issued by companies and banks.

The majority of ₹1.6 lakh crore is due from non-banking finance companies or financial service companies, accounting for 29% of the total amount due for redemption. Public sector banks and manufacturing or service companies need to repay ₹1.20 lakh crore or 22% of the total and ₹1.23 lakh crore or 22%, respectively.

"Redemption of corporate bonds is routine and not all companies necessarily roll over the borrowings. The BFSI sector, which is engaged in lending activity, may be keen to borrow," Ajay Manglunia, MD and head – institutional fixed income at JM Financial, said.

Market participants said the redemption lined up in corporate bonds is perhaps the largest in the last few years. However, considering interest rates could go up, they expect most companies and banks to

redeem their bonds instead of rolling them over.

In December 2021, public sector banks (PSBs) successfully rolled over their papers at a lower or similar coupon than the previous issuance. All these bonds had a call option due in the current financial year.

Five state-owned lenders – Bank of Baroda, State Bank of India, Canara Bank, Punjab National Bank and Union Bank of India – together raised nearly ₹24,471 crore through AT1 bonds in FY22, according to ICRA's data. Previously, ICRA had estimated that around ₹20,505 crore of AT1 bonds of PSBs and ₹7,925 crore of private banks were due for a call option with a majority of ₹19,750 crore due in the second half of the current financial year.

Experts say banks are likely to redeem their papers due in 2022 considering the high surplus liquidity in the banking system; only those with weak balance sheet may roll over their papers.

Bond dealers say companies would not find it hard to raise money since investors have a good amount of liquidity and inflows into debt schemes of mutual funds are also strong. "Banks and investors have a lot of liquidity and inflows and they would be keen to deploy the funds in good names. We could see issuances increase by 15-20%," Manglunia said.