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FPIs Net Buyers of Corp Debt after 7 Mths



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FPIs Net Buyers of Corp Debt in June, After 7 Mths

HIGH-YIELD issue from Shapoorji group entity big draw; outsize returns to whet appetite, say experts

Bhaskar.Dutta@timesgroup.com

Mumbai: Foreign portfolio investors turned net purchasers of Indian corporate debt after a gap of seven months, primarily due to a high-yielding Shapoorji Pallonji entity bond issue that drew firm overseas interest.

As on June 30, foreign portfolio investment in corporate bonds was at ₹1,04,676 crore, an increase of ₹6,094 crore from May 31, NSDL data showed. June marked the first month since October 2022 in which overseas investors made a net purchase of Indian corporate debt.

“In the month of June, there was a large, structured finance transaction which was the offering from the Shapoorji Pallonji group company Goswami Infratech. A lot of foreign investors participated strongly because irrespective of the BBB credit rating, they found the structure comfortable and the risk-reward attractive,” said Ajay Manglunia, head-investment grade group at JM Financial.

Foreign investment in debt issuances of Indian firms has dropped over the last year as rapid rate hikes in the US have eaten into returns from domestic bonds. As on March 2, 2022, FPI investment in corporate bonds was at ₹1,19,029 crore. It was in that month that the US Federal Reserve embarked on its most aggressive tightening cycle in decades to battle elevated inflation.

With the US central bank indicating fresh tightening, the appetite

Overseas Interest

Date	FPI Investment
September 30, 2022	1,13,888
October 31, 2022	1,14,583
November 30, 2022	1,116,43
December 30, 2022	1,09,822
January 31, 2023	1,09,283
February 28, 2023	1,08,593
March 31, 2023	1,03,666
April 28, 2023	1,00,931
May 31, 2023	98,582
June 30, 2023	1,04,676

(Fig in ₹ crore) Source: NSDL

of foreign players for Indian corporate bonds would largely be restricted to high-yielding issuances from the structured finance space, market participants said.

In late June, Goswami Infratech sold ₹14,300 crore worth of zero-coupon rupee-denominated non-convertible debentures at a yield of 18.75%, marking one of the most lucrative debt offerings in the Indian corporate debt market.

“It was available at 18.75%, plus some compensation for the withholding tax and so it was in the higher double digits. My sense is that close to ₹10,000-12,000 crore was subscribed by foreign investors and that could be the reason for the positive flow in June,” Manglunia said.

Standard Chartered and Deutsche Bank were the lead arrangers and book runners for the bonds.