Surging yields drive Indian corporate bond sales to 5-yr low in Oct

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Synopsis
Companies had raised around 285.5 billion rupees ($3.43 billion) until Oct. 29, the lowest since September 2018, and well below the 729.5 billion rupees in the previous month, data from Prime Database showed.

The private placement of bonds by **Indian corporates** likely hit a five-year low in October as tight **liquidity** and the central bank's plan of **debt sales** prompted companies to push back their fundraising goals.

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At the start of the month, the Reserve Bank of India said it would sell bonds via auctions, or open market operations (OMO), to manage cash in the system, which sent the yields surging.

"The announcement of OMO sales spooked the market and uncertainty around rates due to the surge in global and local yields kept issuers away," said Ajay Manglunia, managing director and head of the investment grade group at **JM Financial**.

The spike in U.S. yields and oil prices, added traders, led to further caution at a time when crowding out of investments due to a pickup in state bonds hurt sentiment.

In October, the yields on AAA-rated corporate bonds spiked by 15-20 basis points across the curve.

SURGE INCOMING

However, companies are expected to resume **bond sales** over the last two months of 2023.

"As issuers believe rates will remain higher-for-longer and liquidity will also remain tight, there is no sense in pushing to last quarter," Manglunia said.

State Bank of India, the country's largest lender, has already lined up a Tier-II bond issue this week, while the likes of Titan and **Larsen and Toubro** are also set to tap the market.

Voltas, **Jindal Steel and Power** and Jamnagar Utilities & Power might follow suit by December.

"The rise in the cost of borrowing may push many corporates to re-look at their borrowing programme," said Vinay Pai, head of fixed income at Equirus.

"And we may see a shift in their issuance towards shorter maturity bonds of, say, 18 months to two years.