

Top-rated issuers make beeline to raise funds via corp bonds

MANISH M SUVARNA
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FUNDRAISING THROUGH CORPORATE bonds has increased sharply last week as most companies and banks having AA and above ratings are rushing to the market to complete their year-end borrowing programme and lock in lower rates amid strong demand from investors.

According to data compiled from the BSE and the NSE bidding platforms, companies and banks have raised ₹25,089.70 crore between February 21 and 28 — over 75% down from the previous week's figure. National Bank for Agriculture and Rural Development, Small Industries Development Bank of India, Housing Development Finance Corporation, Union Bank of India are among the top issuers this week.

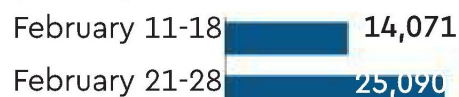
“Looking at the demand from some section of investors, a lot of eligible issuers especially state-owned entities are active to take the rate advantage by issuing papers that can be placed with long-term investors before rates move up,” said Ajay Manglunia, MD and head, institutional fixed income at JM Financial.

Market participants said the demand from investors has recently improved. These investors are from pension and provident funds, insurance companies, and some mutual funds, and are completing their investments before the end of the fiscal year. This has led to yields on some state-owned issuers to price at or below the government securities level of similar maturities trading in the secondary market.

The corporate bonds recently issued by the India Oil Corporation Ltd (IOCL), having a 5-year tenor, was subscribed and priced at

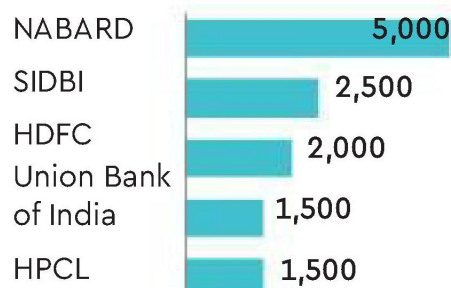
Corporate bond issuances

(₹ crore)



To issuers between February 21-28

(₹ crore)



6.14%, which was lower than the yield on government bonds with 5-year February 2027 maturity trading in the secondary market. The yield on corporate bonds has eased more than 20 basis points in February and currently, the yield on a three-year bond is hovering in the range of 5.70-5.75%, five-year between 6.02% and 6.09%, and those on 10-year bonds it is in the range of 7.05-7.10%.

“Certain sections of the market like pension funds are allocating their portfolio to corporate bonds in line with their framework. This has led to demand outstripping the supply for the time being,” said Sandeep Yadav, head of fixed income of DSP Mutual Fund. Debt fund arrangers expect issuances to rise in the coming days as companies may try to benefit from lower rates in the market.