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Business Standard
Bangalore - Jul 26, 2023

Page No:	6	Type:	Newspaper
Page Name:	Economy and Public Affairs	Language:	English
Size:	185 sq. cm	Circulation:	6,265
AVE:	INR 29,671	Frequency:	Daily

News monitored for: JM Financial

Fundraising activity in debt mkt gathers pace

NBFCs, Nabard plan to raise ₹12,000 cr in two days

ANJALI KUMARI & MANOJIT SAHA
Mumbai, 25 July

Fundraising activity in the debt market is gaining momentum ahead of the festival season. Several non-banking financial companies (NBFCs) and the National Bank for Agriculture and Rural Development (Nabard) are planning to raise at least ₹5,560 crore in the next two days by issuing bonds, with a greenshoe size of ₹6,370 crore.

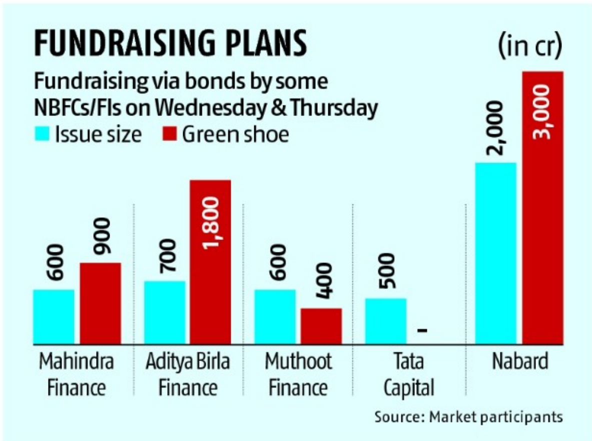
Ajay Malglunia, managing director and head of investment grade group at JM Financial, said, "The market likes certainty, the market will gain clarity after the US Federal Reserve's (Fed's) policy. Most of the issuances are from small NBFCs, except Nabard which is after the Fed's outcome, so it should sail through."

Nabard will raise ₹2,000 crore by issuing three-year one-month paper, with a greenshoe option of ₹3,000 crore. Among others, Mahindra & Mahindra Financial Services plans to raise ₹300 crore, with a greenshoe option of another ₹300 crore, while Tata Capital will raise ₹500 crore through 10-year bonds. The demand for the bonds is expected to be firm as market participants anticipate that the Fed might be at the end of its rate-hike cycle after a final 25-basis point hike on Wednesday.

"Around 70 per cent of the amount should be subscribed," said Venkatakrishnan Srinivasan, bond market veteran and founder of Rockfort Fincap. "There should not be a major effect if the Fed hikes rates by 25 basis points (bps) as it is already priced in. However, the kind of statement it delivers will matter," he added.

On Tuesday, LIC Housing Finance — the mortgage lending arm of insurance behemoth LIC — raised ₹1,250 crore at 7.64 per cent through the sale of bonds maturing in 10 years.

The debt market experienced a notable decline in issuances during the first half of July as issuers chose to take a back seat in response to the escalating cost of borrowing.



Source: Market participants