Big players missing, corp bond issuances drop 36%

Uncertainty over election results and Budget contributed to fall in April–June

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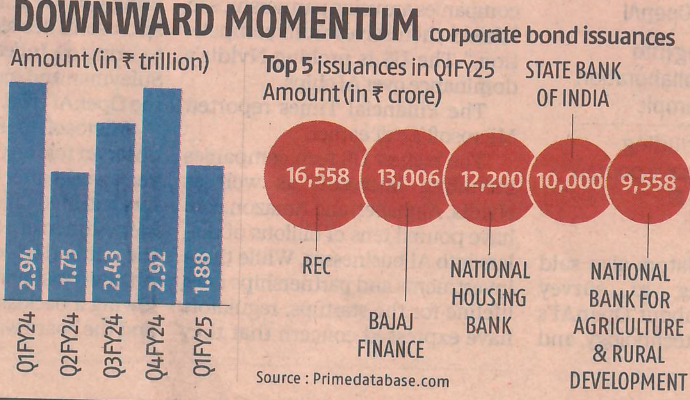

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Uncertainty over the election outcome and the Union Budget, coupled with the absence of HDFC, led to a more than one-third decline in corporate bond issuances during the April-June period compared to the previous year.

According to PRIME Database, corporate bond issuances fell 36 per cent in the first quarter (Q1) of the current financial year (FY25), amounting to ₹1.88 trillion compared to ₹2.95 trillion in the same period last year.

One of the primary reasons for the surge in issuances last financial year (FY24) was HDFC's heavy borrowing until June before its merger.

The former housing finance behemoth raised ₹46,062 crore in the April-June period of FY23. HDFC, which merged with HDFC Bank on July 1, 2023, ranked as the third-largest corporate bond issuer in FY23-24, following National Bank for Agriculture and Rural Development (Nabard) and REC.

HDFC's large fundraising stimulated the bond market, sustaining momentum in the subsequent months. Despite a brief downturn in July due to rising US Treasury yields, the market regained traction as liquidity tightened, observed market participants.

"Several factors contributed to subdued bond issuances in Q1FY25, including Lok Sabha elections, expectations of yield declines amid anticipated rate cuts, and India's inclusion in the JP Morgan Bond Index. Last year, HDFC's extensive pre-merger borrowing further boosted overall issuance for that quarter," said Venkatakrishnan Srinivasan, founder and managing partner of Rockfort Fincap LLP.

Srinivasan highlighted a major drop in private sector bond issuances, noting that companies such as Delhi International Airport, Larsen & Toubro, Dabur, Tata Power, Century Textiles, and Torrent Power, which tapped into the bond market in Q1 of the previous financial year, did not issue bonds this time.

Power Finance Corporation raised ₹12,281 crore in Q1 last year, compared to ₹3,178 crore this time.

During the quarter, REC led the mobilisation chart with ₹16,558 crore raised, followed by Bajaj Finance at ₹13,006 crore, National Housing Bank at ₹12,200 crore, State Bank of India (SBI) at ₹10,000 crore, and Nabard at ₹9,558 crore. These top five issuers raised around 67 per cent of the total amount during the quarter. Nabard was the largest issuer in the previous financial year, raising ₹65,393 crore.

"If you look at the tenure breakdown, supply is largely concentrated in the one to three-year segment compared to longer terms. Typically, more supply is seen in the five- to 10-year segment, but activity has been muted there as mutual funds focus mainly on shorter tenures," said Dhawal Dalal, president and chief investment officer — fixed income at Edelweiss Asset Management.

However, the market expects improvement with a projected surge in infrastructure bond issuances by banks and other major issuers that missed the first quarter. This projected increase in issuance is expected to stabilise the market and meet investor demand for high-quality, long-term bonds.