

## CARE Ratings' Corporate Bond Monitor (CCBM)

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CARE's Corporate Bond Monitor captures the movement of corporate bond yields across various maturities in the secondary markets and thereby draws inferences on the prevailing risk scenario for these securities and the cost of funds for corporates over time given that the yields in the secondary market are a key determinant of the cost of borrowing in the primary markets.

The yield movement is based on the secondary market trade data from FIMMDA.

- The cost of borrowings for corporates from the bond markets has risen in recent months as seen from the increase in yields in the secondary markets. The average corporate bond yields (across maturities) rose to a 2 year high of 9.1% in Jul'18, a 20 bps increase from month ago levels and a 70 bps rise from that in Jan'18. The secondary market corporate bond yields have seen a sustained increase for the last 8 months (since Dec'17).
- Corporate bond yields across all maturities have witnessed an increase since November'17 and have risen by 110 bps in the 9 month period to Jul'18.
- The average yield of the short term bonds (residual maturity of 1 year) was lower than yields of the longer duration bonds i.e. residual maturity of 5 years and 10 years.
- The average yield of the 1 year bonds was 8.7% in July'18, 30 bps higher than the yield in Apr'18. Likewise, the yields for the 5 year bonds average 9.3% (in Apr'18) and that of 10 year bonds was 9.1% (8.4% in Apr'18).
- Despite the recent increase in yields, corporate bond yields (all maturities) continue to be lower than that during FY12-15. Corporate bond yields have declined over the years from an average 9.59% in FY14 to 8.90% in FY19 (Apr -Jun'18), reflective of the decline in cost of funding via bond markets for corporates in recent years.

Year	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19*
Avg Corp Bond Yield (%)	9.74	9.40	9.59	9.12	8.75	8.41	8.30	8.90

\*Avg yield for Apr'18 and Jul'18

- The comparison of 'Banks Weighted Average Lending Rate (WALR)' on outstanding loans with the movement in 'average yields of

*corporate bonds*, shows that the average corporate bond yields are lower than the interest rates paid by borrowers from banks.

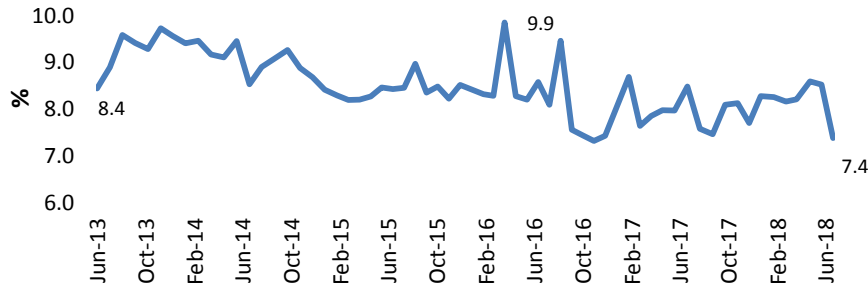
	FY13	FY14	FY15	FY16	FY18	FY17	FY18	FY19*
Banks WALR (Avg)	12.33	12.16	11.94	11.47	10.47	11.10	10.44	10.11
Corporate Bond Yield (Avg)	9.40	9.59	9.12	8.75	8.30	8.40	8.30	8.90

\*WALR for Ap-May'18 and Corporate Bond Yield for Apr- Jul'18

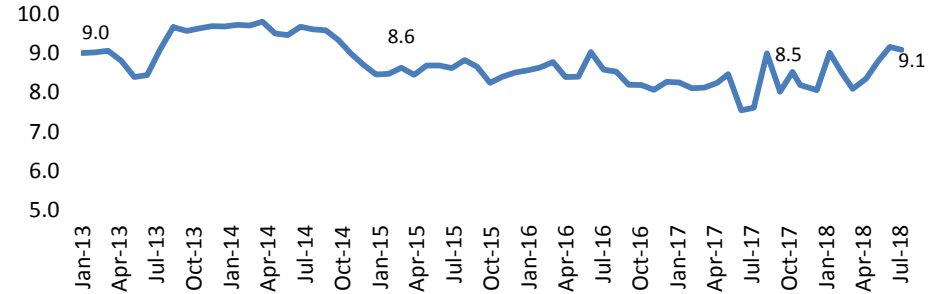
- The movement of the index of corporate bonds spread over G-Secs, shows that the spread of corporate bonds over G-Secs widened to a 4 month high in Jul'18, reversing the narrowing in spread in the previous 2 months. At 1.36% it was 32 bps more from than the spread for Jun'18. This indicates that the cost of borrowings for the higher rated corporates viz. the AAA and AA rated bonds (which account for over 95% of total traded volumes) rose in Jul'18 reflective of the risk perception of corporate bonds
- In terms of traded volume in Jul'18, the 10 years, 5 years and 1 year bonds accounted for 14%, 19% and 12% of the total trades respectively.
- Total traded volumes of corporate bonds stood at Rs.54,321 crore in Jul'18, 54% less than the traded volumes in Jun'18.

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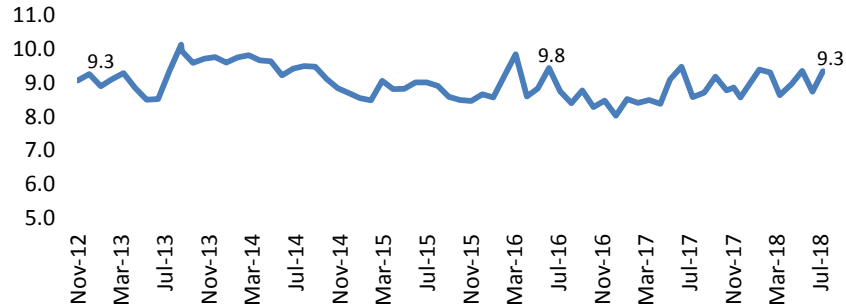
Index: 15 yr Corporate Bond Yield Movement



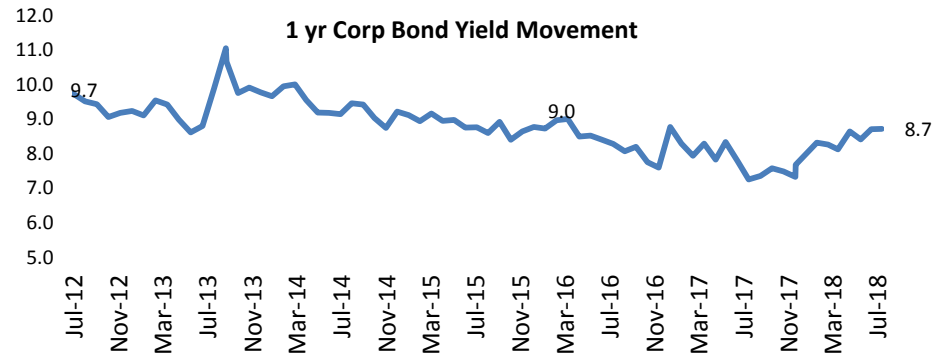
Index: 10 yr Corporate Bond Yield Movement



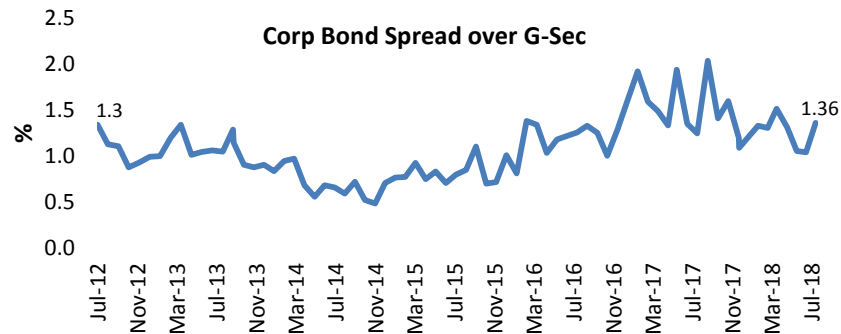
Index: 5 yr Corporate Bond Yield Movement



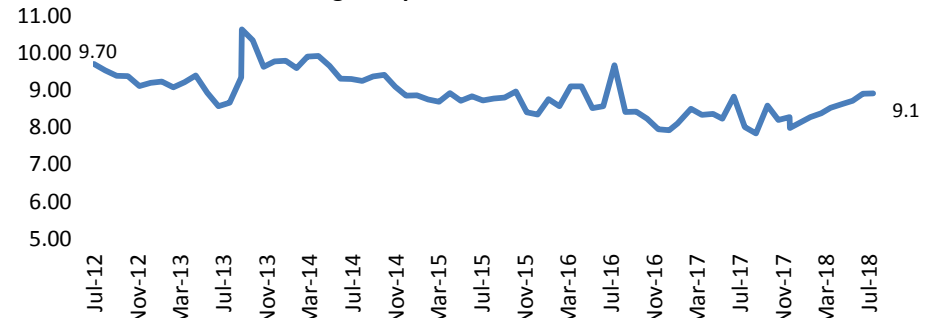
1 yr Corp Bond Yield Movement



Corp Bond Spread over G-Sec



Average Corporate Bond Yield



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