

Debt Market Review: April 2018

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Key highlights

April'18

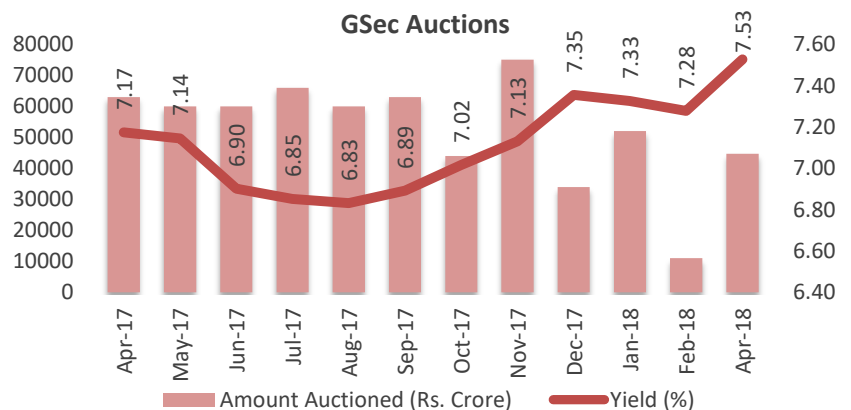
- Lower central and state government borrowings with high cost
- Increase in corporate bond issuances
- Fall in commercial paper issuances
- Increase in GSec yields
- Widening corporate bond spreads
- Decline in credit off take

A. PRIMARY ISSUANCES

Central government borrowings: In the first month of the fiscal year FY18, the central government borrowings amounted to Rs. 44,645 crore, which was 7% lower than the notified amount of Rs. 48,000 crore. These borrowings are, however, 29% lower than borrowings worth Rs. 63,000 crore in Apr'17. The average cost of borrowing for the central government in Apr'18 stood at 7.53%, 16 bps higher than the weighted average yield of 7.37% in Feb'18. During the month, yields varied in the wide range of 6.65% and 7.98%.

The government plans to borrow Rs. 2.88 lakh crore in the first half of FY19, which is nearly 23% lower than the borrowings worth Rs. 3.72 lakh crore during Apr-Sept'17 due to higher borrowing cost.

As per the Union Budget 2018-19, the gross market borrowings of the central government are budgeted at Rs. 6.05 lakh crore, higher than the Rs. 5.99 lakh crore borrowing in FY18 as per revised estimate.



Source: RBI

T-bill auctions: In Apr'18, treasury bills auctions across maturities amounted to Rs. 60,000 crore, which was 13% or Rs. 7,000 crore higher than the auctions held in Mar'18 (Rs. 53,000 crore). The average yield for these auctions was 6.33%, 7 bps lower than the average yield in the previous month.

As per the auction calendar for the first quarter of FY19, the government is likely to auction treasury bills worth Rs. 1.95 crore, out of which Rs. 91,000 crore will be 91-days T-Bill while 182-days and 364-days treasury bill auction will amount to Rs. 52,000 crore each.

Table 1: Treasury Bill Auctions

Month	Amount (Rs. Cr.)	Yield (%)
Apr-17	56,000	6.20
May-17	70,000	6.39
Jun-17	56,000	6.34
Jul-17	66,000	6.27
Aug-17	82,000	6.20
Sep-17	66,000	6.18
Oct-17	44,000	6.16
Nov-17	55,000	6.19
Dec-17	44,000	6.28
Jan-18	70,000	6.44
Feb-18	56,000	6.50
Mar-18	53,000	6.40
Apr-18	60,000	6.33

Source: RBI

State Government Borrowings: In Apr'18, 20 states raised funds by way of State Development Loans (SDLs) amounting to Rs. 31,728 crore, which was 23% (Rs. 9,531 crore) lower than the amount raised in the previous month. The borrowings were 21% lower than the notified amount of Rs. 40,150 crore as Andhra Pradesh, Rajasthan and Maharashtra did not accept certain auctions due to higher borrowing cost. The average borrowing cost for the states at 7.90% in Apr'18 was 25 bps lower than that in the previous month. In terms of quantum of borrowings Kerala borrowed highest (Rs. 4,500) followed by Gujarat (Rs. 4,000 crore) and Telangana (Rs. 4,000 crore).

During April-June'18, the state government borrowings are expected to be in the range of Rs. 1,15,600 crore to Rs. 1,28,100 crore.

Table 2: State Development Loans

Month	No. of States	Amount Raised (Rs. Cr.)	Weighted Average yield (%)		
			Avg.	Min	Max
Apr-17	10	16,450	7.62	7.59	7.70
May-17	17	21,625	7.51	7.41	7.55
Jun-17	16	26,880	7.19	7.10	7.24
Jul-17	19	33,263	7.21	6.93	7.31
Aug-17	22	38,487	7.26	7.02	7.32
Sept-17	21	41,235	7.40	7.28	7.50
Oct-17	19	34,520	7.56	7.29	7.66
Nov-17	21	31,068	7.55	7.11	7.73
Dec-17	20	39,852	7.69	7.35	7.82
Jan-18	27	48,665	7.91	7.76	8.07
Feb-18	24	45,046	8.19	8.05	8.30
Mar-18	25	41,260	8.15	7.69	8.33
Apr-18	20	31,728	7.90	7.28	8.24

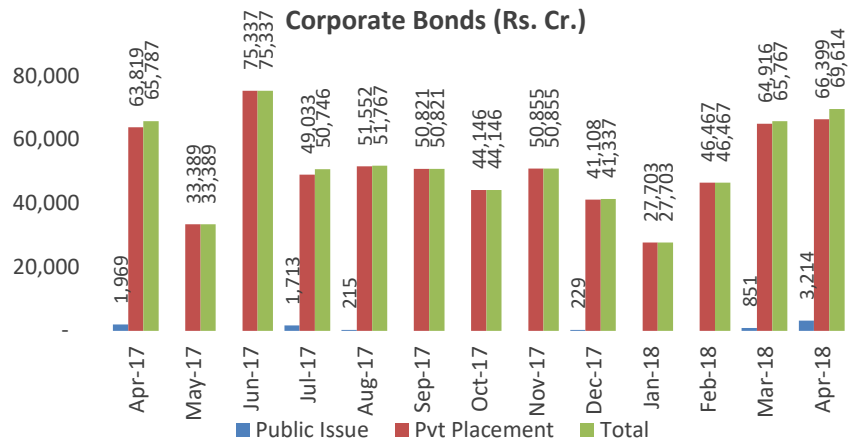
Source: RBI

Table 3: State wise SDLs in Apr'18(Rs. Cr.)

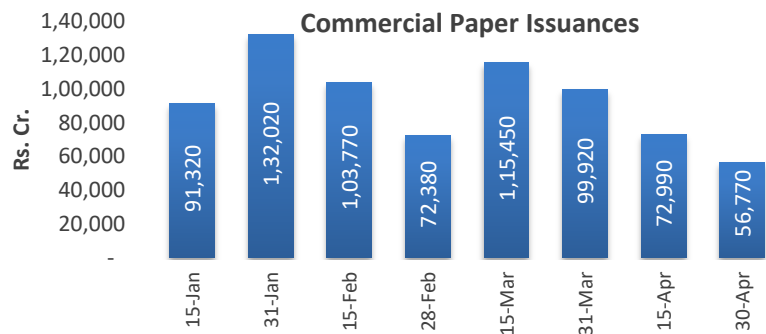
State	Notified amount	Amount accepted	Cut off yield	Weighted average yield (%)
Andhra Pradesh	6,000	1,553	7.80	7.80
Arunachal Pradesh	400	400	7.80	7.80
Assam	1,500	1,500	7.97	7.92
Goa	150	150	7.95	7.95
Gujarat	4,000	4,000	7.99	7.98
Haryana	1,000	525	7.80	7.80
Jammu & Kashmir	600	600	8.26	8.24
Kerala	4,500	4,500	8.16	8.09
Madhya Pradesh	2,000	2,000	8.05	8.01
Maharashtra	3,000	1,500	7.34	7.28
Manipur	350	350	7.80	7.80
Nagaland	200	200	7.97	7.97
Odisha	1,000	500	7.55	7.51
Punjab	2,450	2,450	7.99	7.90
Rajasthan	3,000	1,500	7.98	7.90
Tamil Nadu	2,500	2,500	8.15	8.12
Telangana	4,000	4,000	7.95	7.95
Tripura	500	500	8.20	8.20
Uttar Pradesh	2,500	2,500	7.98	7.90
Uttarakhand	500	500	7.80	7.80
Grand	40,150	31,728	7.92	7.90

Source: RBI

Corporate Issuances: As per SEBI data, the total corporate bonds issued in Apr'18 totaled to Rs. 69,614 crore, which was nearly 6% higher than issuances in Mar'18 (Rs. 65,767 crore) and in Apr'17 (Rs. 65,787 crore). Out of the total issuances nearly 95% issuances (Rs. 66,399 crore) were raised by way of private placements while the remaining Rs. 3,214 was by way of public issuances.



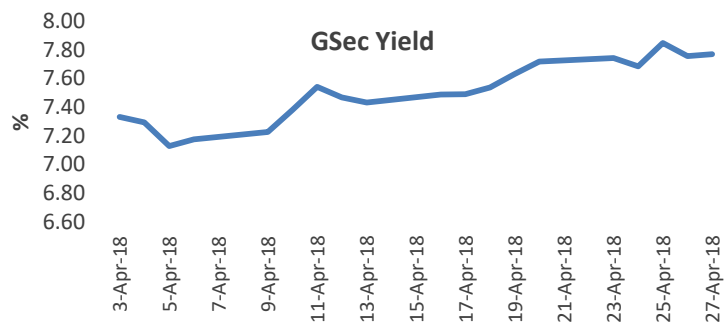
Commercial paper (CP) issuances: In Apr'18, various corporates were seen to issue commercial papers to the tune of Rs. 1,29,760 crore, 0.18% lower than the issuances in Apr'17 (Rs. 1,30,000 crore).



Source: RBI

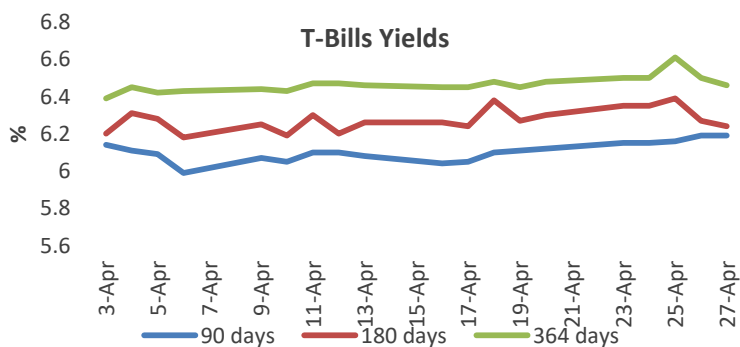
B. SECONDARY MARKETS

G-Sec yields: In Apr'18, the average yields on 10 year government securities was fell marginally to 7.51%, which was 11 bps lower than the average yield recorded in the previous month (7.62%). During the month it ranged between 7.13% and 7.85%.



Source: FIMMDA

Treasury bill yields: In Apr'18, the yields on treasury bills fell. The average yield on 90-days T-bills was at 6.10%, 10 bps lower than 6.20% in the previous month while yields on 181-days at 6.27%, was 13 bps lower (6.40%) while that of 364-days at 6.47% was 7 bps lower than the average yield in the previous month (6.54%).



Source: FIMMDA

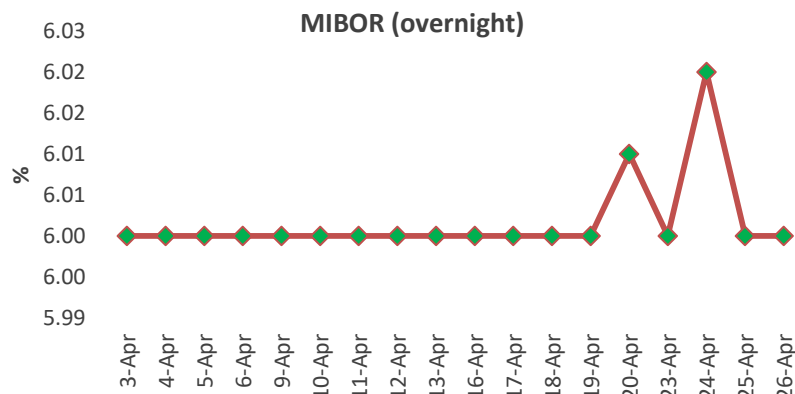
Corporate bond spreads: The spread of AAA rated corporate bonds over G-secs indicated mixed picture in Apr'18. The spreads across maturities widened barring 1 year corporate bond, which declined by 2 bps. The spreads on 3 year corporate bond widened by 9 bps while that of 5 year widened by 53 bps compared with March-end levels. The spread on 10 year corporate bond widened by 18 bps during the month.

Table 4: AAA corporate bond spread

Date	1-yr	3-yr	5-yr	10-yr
13-Oct	65	58	35	64
31-Oct	63	47	34	56
15-Nov	56	45	36	53
30-Nov	62	47	45	49
15-Dec	77	52	41	56
29-Dec	81	53	49	42
15-Jan	89	44	35	65
31-Jan	96	26	34	56
15-Feb	99	53	34	46
28-Feb	100	65	46	58
15-Mar	99	54	39	62
28-Mar	90	39	26	40
13-Apr	82	45	34	64
27-Apr	88	47	49	58

Source: FIMMDA

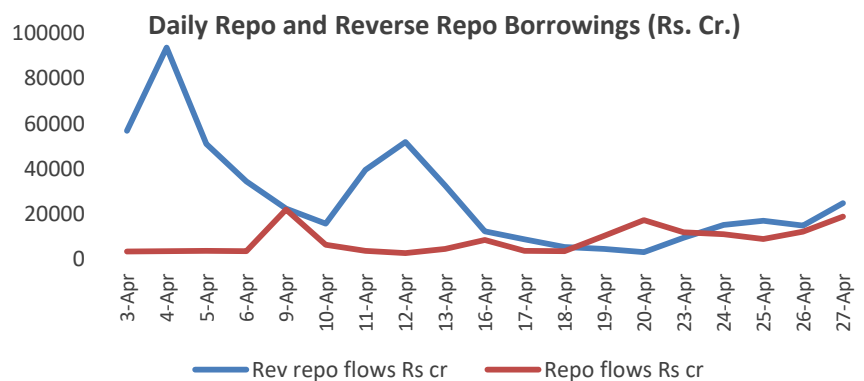
MIBOR: Mumbai Interbank Offer Rate (MIBOR) remained stable. In Apr'18, the average MIBOR was at 6.00%, 2 bps lower than the average MIBOR of 6.02% in Mar'18.



Source: FIMMDA

Liquidity Conditions

In Apr'18, the daily average repo borrowings by the commercial banks was at Rs. 8,471 crore that was 64% higher than that in the previous month (Rs. 5,157 crore). On the other hand, the average daily reverse repo borrowings were recorded at Rs. 27,070 crore, which was 21% lower than the average reverse repo borrowings worth Rs. 34,145 crore in Mar'18.



Source: RBI

In Apr'18, the RBI undertook repo auctions to the tune of Rs. 1.08 lakh crore, which was 61% lower than auctions held in the previous month (Rs. 2.79 lakh crore in Mar'18). The reverse repo auctions amounted to Rs. 5,169 crore, 38% more than the auctions worth Rs. 3,756 crore in the previous month. The average borrowing cost for the repo auctions was 6.01% while that for the reverse repo auctions was 5.99%, same as in the month of Mar'18.

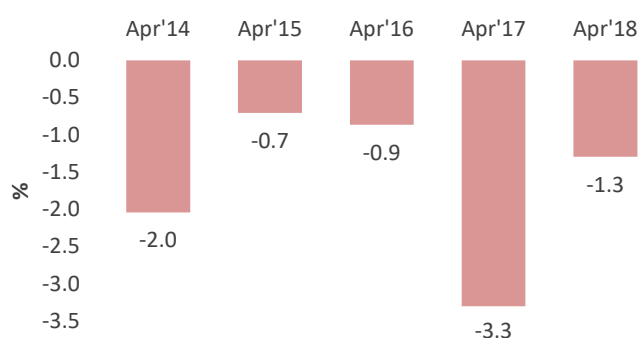
Banking

Bank deposits: As of April 27, 2018, the aggregate bank deposits stood at Rs. 114.3 lakh crore, a contraction of -0.4% in incremental deposits compared with -1.8% a decline in Apr'17.

Bank Credit: The outstanding bank credit stood at Rs. 85.39 lakh crore as on April 27, 2018. On the incremental basis, the bank credit contracted by -1.3%, lower than the contraction of -3.3% in Apr'17.

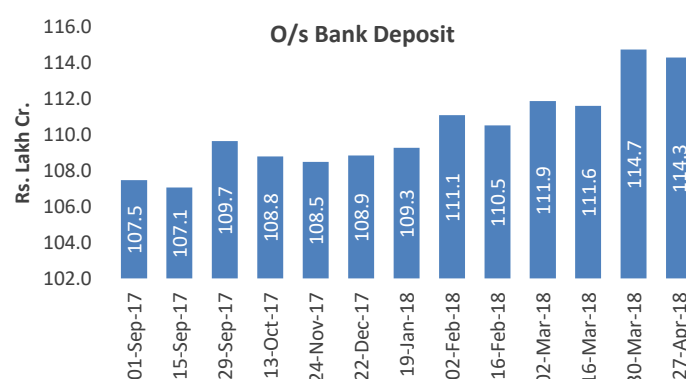
As of Mar'18, the credit off take has been supported by retail sector and services sector, which recorded double digit growth. The retail sector grew by 17.8% compared with 16.4% in the previous year while the services sector grew by 13.8% lower than 16.9% growth registered in the previous year. While the industrial sector registered marginal growth of 0.7% than the contraction by -1.9%, the credit offtake in agriculture sector was low at 3.8% compared with 12.4% growth exhibited in the previous year.

Bank Credit growth (%)



Source: RBI

O/s Bank Deposit



Source: RBI

Within the industrial sector, 12 out of 19 industries witnessed positive growth in credit off take led by mining and quarrying (19.7%), construction (9.5%) and petroleum, coal products & nuclear fuel (9.4%). The growth in industrial sector was however capped by decline in credit off take in beverages and tobacco (-9.7%), paper and paper products (-6.1%), chemical and chemical products (-5.5%), cement and cement products (-3.1%), infrastructure (-1.7%) among others.

Table 5: Sectoral distribution of credit

Sector	O/s Mar 30, 2017 (Rs.lkh.cr)	Mar'17 / Mar'16 (% Growth)	Mar'18/ Mar'17 (% Growth)
Gross Bank Credit	66.50	7.3	8.2
Food Credit	1.03	-61.1	-15.5
Non-food Credit	65.47	8.4	8.4
Agriculture & Allied Activities	8.83	12.4	3.8
Industry	27.31	-1.9	0.7
Services	15.41	16.9	13.8
Personal Loans	13.92	16.4	17.8

Source: RBI

CARE Ratings' Credit Rating of Fresh Debt Issuances

Some of the entities that were assigned rating by CARE Ratings for their fresh debt issuances in Apr'18 have been listed in table below.

Table 6: Credit Rating by CARE: Fresh Debt Issuance of Corporate (Apr'18)

Company	Size rated (Rs. crore)	Current Rating
Reliance Jio Infocomm Limited	20,000	AAA
Morgan Credits Private Limited	1,100	A-
Goswami Infratech Private Limited	375	AA+(SO)
Sadbhav Infrastructure Project Limited	360	A+(SO)
Mangalam Cement Limited	250	AA-
Vatika Infracon Private Limited	198	BB-
S. D. Corporation Private Limited	125	AA+(SO)
Fusion Microfinance Private Limited	30	BBB+

Source: CART report

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