

# FIN O L O O K

by **unituscapital**

Debt Newsletter for August 2022 | RECENT DEALS CLOSED

**Lending-Kart**  
NCD  
₹ 50 Cr

**Eze Tap**  
Acquisition  
₹ 1,326 Cr

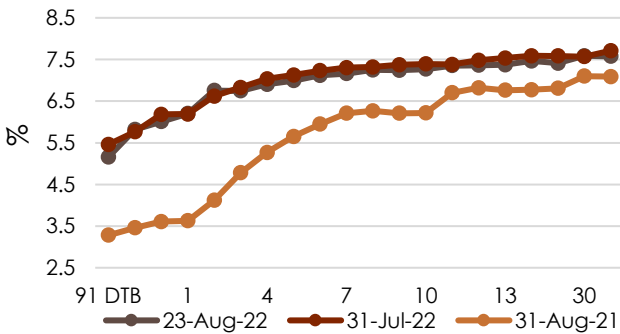
**Early Salary**  
Equity  
₹ 858 Cr

**Anna-purna**  
Equity  
₹ 115 Cr

**Black Soil**  
Debt  
Undisclosed

## Market Overview\*

### Yield Curve



## NBFC Bond Spread Over G-Sec Benchmark Indices

Tenor	3 Year Spread	5 Year Spread	10 Year Spread
AAA	56	33	46
AA	126	112	116
A	371	353	359
A-	396	378	384
BBB+	446	428	434
BBB	471	453	459
BBB-	521	503	509

At the August MPC meeting, the RBI increased the repo rate by **50 bps** bringing it to **5.40%** remaining focused on **withdrawing its accommodative stance**. The objective is to bring down inflation between the **target band of 4% +/- 2%** while maintaining an environment conducive to economic growth. However, the RBI expects inflation to **remain elevated** despite **softening commodity prices & better than expected monsoon** while geo-political tensions are adding **considerable uncertainty** to the inflation trajectory. Considering **normal monsoons & crude prices above \$100/barrel**, the RBI foresees **inflation to return** within the target band by **Q1 of FY24**

## AT-1 Bonds\*\*

**AT-1 Bonds – Additional Tier 1 Bonds also known as CoCo Bonds in Europe**

- AT-1 bond is a **high risk, high yield** bond which are unsecured & perpetual in nature. However, the issuer (usually banks) can pre-maturely redeem the bonds after 5/10 years of issuance by the virtue of embedded call options



**Banks** are the primary issuers of **AT-1 Bonds**

### Purpose of AT-1 Bonds

- AT-1's are issued by banks to **cushion** themselves from **unexpected losses** during **periods of stress**.
- The conversion of AT-1's takes place when the **bank's equity has fallen significantly**, rendering the bank's **tier 1 capital below Basel III requirements**. The conversion helps in **restoring** tier 1 capital

### AT-1 issuance in India during the month of July 2022

Issuer	Size (₹ Cr)	Coupon	5 yr. G-Sec Spread
Union Bank of India	1,320	8.69%	1.61%
Canara Bank	2,000	8.24%	1.15%
Punjab National Bank	2,000	8.75%	1.58%

### Current Trends in India

- In the previous fiscal year, banks raised a total of **₹42,000 crores**, with **67%** of the issuance done by **public sector banks**
- Public sector banks are **expected to issue** roughly **₹15,000 crores** worth of AT-1 bonds mainly due to **double digit expansion in credit growth** in FY23
- We observed investor **appetite has picked**. Further, investors tend to **price these bonds as 5-year bonds** due to the **embedded call option**
- AT-1 bonds issued in 2022 are priced at an **average spread of 1.32%** above 5-year G-Sec bonds that currently yields **7.05%**

## Corporate Debt Issuance\*\*\*\*

Issuer	Secured	Size (₹ Cr)	Coupon	Tenor (years)	Rating
Berar Finance	Yes	25.00	11.26%	2.00	BBB+
Sindhujia Microcredit	Yes	22.00	SBI MCLR Linked	2.59	BBB-
Samunnati Financial	Yes	58.50	10.75%	6.00	BBB+

# Meet the Team



**Eric Savage**  
Co-Founder & CEO

25+ years of investment banking experience with strong relationships with domestic and foreign investors; serves on the boards of multiple companies, and other institutions.



**Amit Kumar Rathi**  
Managing Director

20+ years of post-qualification experience which includes 15+ years in the broad PE / VC investing and M&A as either an Investment Banker, Diligence Advisor, and Investor.



**Simmi Sareen**  
Director

23+ years in financial services with extensive experience in supporting access to capital for sustainable startups & social enterprises. Recognized as a thought leader for impact investing and climate finance in India.



**Rima Agarwalla**  
Vice President

11+ years experience with Bank of Baroda in corporate credit, transaction Banking, in India and Middle East. Specialized in structuring deals.



**Vivek Pathak**  
Associate

At Unitus Capital Vivek covers financial services, Waste to Energy & EVs. A CA by profession, Vivek has prior experience with a boutique IB.



**Anshul Agarwal**  
Associate

6+ years of experience in financial services. At Unitus Capital Anshul covers Financial inclusion, climate action and agriculture.



**Jagrati Goyal**  
Analyst

Jagrati covers climate and financial inclusion, at Unitus Capital. She previously worked with State Street in alternative investments.



**Ishita Jain**  
Junior Analyst

Ishita covers financial inclusion and agriculture at Unitus Capital. She has 2+ years of experience with a boutique IB in Mumbai. She is a CA.



**Mohammed M E**  
Junior Analyst

1+ years of experience with a financial services company in Bangalore and is currently pursuing his CFA & FRM.