

FINOLOOK

by unituscapital

Debt Newsletter for December 2022 | RECENT DEALS CLOSED

Orb Energy

Debt
₹ 160 Cr

Testbook

Acquisition
₹ 260 Cr

Finova Capital

Equity
₹ 70 Cr

Progcap

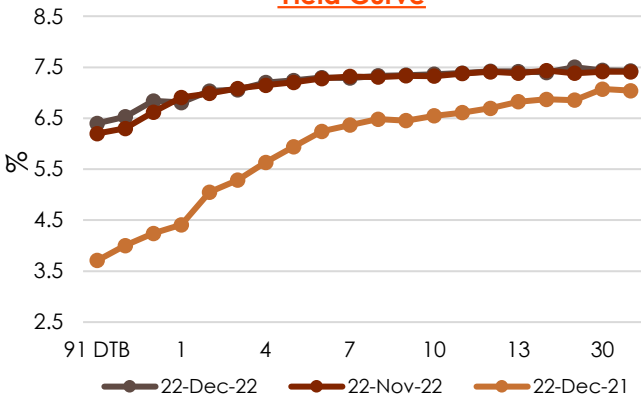
Equity
₹ 383 Cr

Battery Smart

Equity
~₹ 200 Cr

Market Overview*

Yield Curve



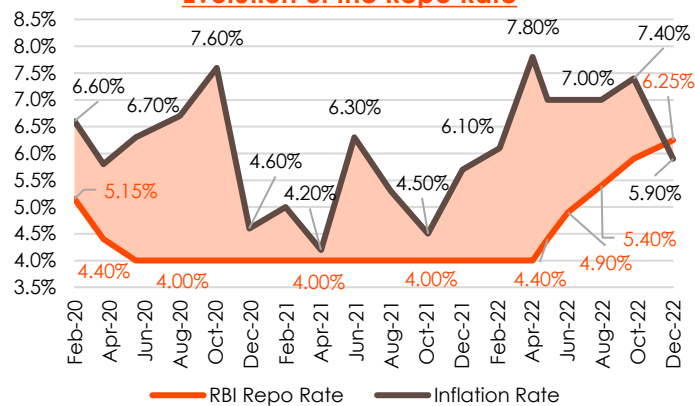
NBFC Bond Spread Over G-Sec Benchmark Indices

Tenor	3 Year Spread	5 Year Spread	10 Year Spread
AAA	57	40	41
AA	134	120	121
A	374	360	363
A-	399	385	388
BBB+	449	435	438
BBB	474	460	463
BBB-	524	510	513

With its final rate hike for the year, the RBI raised repo rates **by 35 bps to 6.25%** in its attempt to tame inflation. The inflation print for November 2022 came in at **5.90%**, lower than previous month's reading of **6.80%**. This has brought some **signs of relief** as inflation has been contained within the **upper threshold of 6.0%**. However, the RBI is **not out the woods** yet, as it's mandated to **bring inflation close to 4%** while maintaining growth. The **forward guidance** given by the MPC suggests **more rate hikes in CY23** albeit at a **slower pace**. The MPC **might pause** on their rate hiking cycle **if weaker macro-economic data** is observed in the upcoming months as the effects of rate hikes **occur with a lag**, thereby avoiding the risks of **over-tightening**.

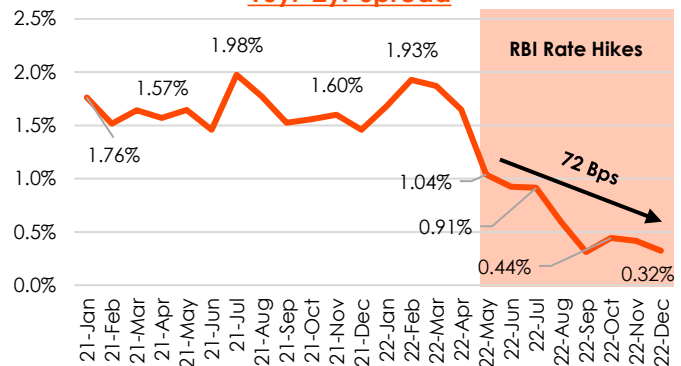
RBI Monetary Policy Summary**

Evolution of the Repo Rate



The RBI raised repo rates **four times** in CY22, all the way from **4.0% to 6.25%**. CY22 clocked in the **highest magnitude of rate hikes** compared to the **last ten years**. In the past three years, the **repo rate remained lower than inflation**, until Dec'22, where it **crossed over**, implying **positive real interest rates** in the short-term.

10yr-2yr Spread



The **10yr-2yr yield spread** is an important economic barometer as it signifies how inflation expectations are being priced by market participants. Ever since the RBI **started tightening monetary policy**, the 10yr-2yr spread started **contacting rapidly** from **1.04% to 0.32%** suggesting the economy moving towards **disinflation** in the medium term. As long as the spread **remains in positive territory**, there is **no imminent threat** of a recession.

Corporate Debt Issuance in December***

Issuer	Secured	Size (₹ Cr)	Coupon	Tenor (years)	Rating
Bank of Maharashtra	No	696.00	8.00%	10.00	AA
Punjab National Bank	No	1,200.00	7.89%	15.00	AAA
Tata Capital Housing Finance	Yes	250.00	8.00%	3.00	AAA

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.



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.