

FIN O L O O K

by unituscapital

Debt Newsletter for February 2023 | RECENT DEALS CLOSED

Orb Energy

Debt
₹ 160 Cr

Testbook

Acquisition
₹ 260 Cr

Vilcart

Equity
~₹ 144 Cr

Progcap

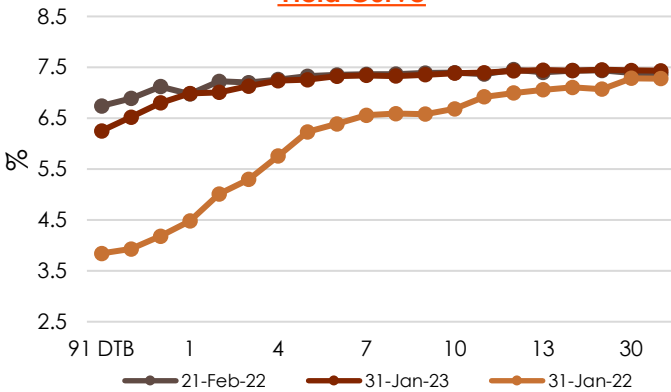
Equity
₹ 383 Cr

Sonata Finance

Equity
₹ 537 Cr

Market Overview*

Yield Curve

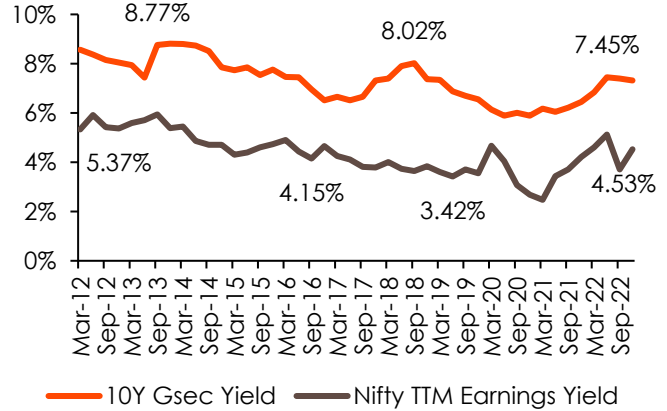


NBFC Bond Spread Over G-Sec Benchmark Indices

Tenor	3 Year Spread	5 Year Spread	10 Year Spread
AAA	50	30	46
AA	125	110	134
A	366	350	374
A-	391	375	399
BBB+	441	425	449
BBB	466	450	474
BBB-	516	500	524

With its first-rate hike for the year, the RBI raised repo rates **by 25 bps to 6.50%** in its attempt to tame inflation. The inflation print for January 2023 came in at **6.50%**, higher than previous month's reading of **5.70%**, suggesting the sticky nature of inflation. Main factors contributing to a higher CPI print were **higher food and services inflation**. The RBI's MPC committee **remains divided** on the aftermath of cumulative tightening, with two of the external members warning the committee of the **pitfalls of overtightening**. A **pause though desirable**, looks **unlikely** for now and the RBI-MPC is strongly poised to **break the back of persistent core inflation** while remaining watchful of growth impulse. Albeit there being room for **policy calibration** as indicated in the Governor's statement.

Fixed Income - An Attractive Asset Class ?**



As rates rise, the attractiveness of fixed income securities, especially G-Sec bonds are on the rise. Historically, 10Y G-Sec bonds have **yielded** north of **7.40%** on an average.

Price Sensitivity

Maturity	Modified Duration	Convexity	Interest Rate Sensitivity	
			-Δ1%	+Δ1%
5 Year	4.217	21.35	4.32%	-4.11%
7 Year	5.342	35.49	5.52%	-5.16%
10 Year	6.840	63.09	7.16%	-6.52%

With a couple of more rate hikes anticipated for the year, the RBI is expected to **hold rates higher** for some time until macro data suggests **inflation is comfortably below 6%** and well within the **target band of 4% ± 2%**. This would further make G-Sec bonds an **attractive investment** as it would **fetch a higher coupon** post a few more rate hikes. The rate hiking cycle is **nearing its end** & the RBI is **expected to reverse course** by second half of FY23, as the MPC members remain split with their decision. As highlighted in the above table, **exposure to high duration bonds** could fetch better returns than their existing yields as **central banks start cutting rates**.

Corporate Debt Issuance in February***

Issuer	Secured	Size (₹ Cr)	Coupon	Tenor (years)	Rating
Incred Financial Services	Yes	205.6	9.51%****	2.40*****	A+
Tata Capital Housing Finance	Yes	600	7.96%****	3.24*****	AAA
NABARD	No	NA	7.58%	3.50	NA

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.



Naman Jain
Analyst

Naman covers climate and healthcare at Unitus Capital. He has 3+ years of experience in equity research and fintech. He is currently pursuing CFA.



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.