

FINOLOOK

by unituscapital

Debt Newsletter for March 2023 | RECENT DEALS CLOSED

Sonata Finance

Equity
₹ 537 Cr

Vilcart

Equity
₹ 144 Cr

IKF

Equity
₹ 120 Cr

Pahal

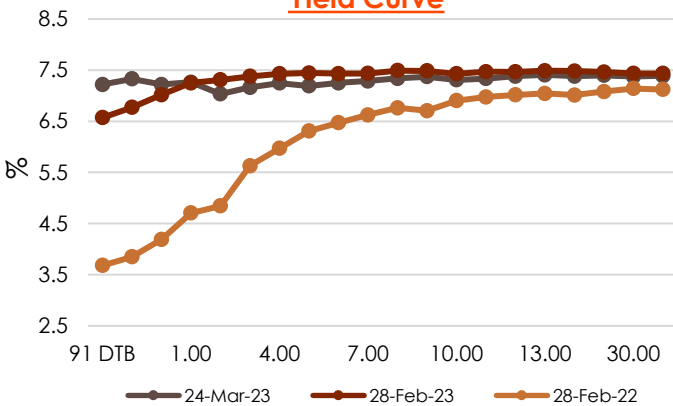
Debt
₹ 42 Cr

Bizongo

Debt
₹ 25Cr

Market Overview*

Yield Curve



NBFC Bond Spread Over G-Sec Benchmark Indices

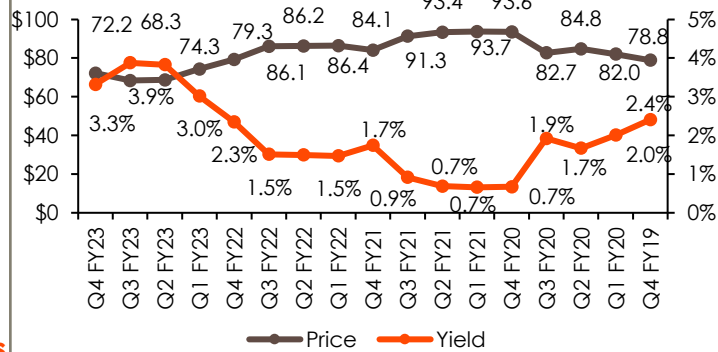
Tenor	3 Year Spread	5 Year Spread	10 Year Spread
AAA	73	70	53
AA	149	141	132
A	392	380	371
A-	417	405	396
BBB+	467	455	446
BBB	492	480	471
BBB-	542	530	521

Post the February MPC meeting, the **repo rate** currently stands at **6.50%**. It seems evident that central bankers are taking a **"Higher for Longer"** approach with respect to policy tightening measures. With that being said, the bond market participants are **pricing in an other 25 bps hike** in the **April meeting** as observed in the yield curve. CPI has stayed **above the upper tolerance band** for two consecutive months, coming in at **6.44% & 6.52%** respectively. **The 10 year is expected to trade within the 7.25-7.45% range**, as **inflation expectation dampen** at the **longer end**, suggesting **disinflation** in the coming few quarters.

SVB & The Banking Crisis**

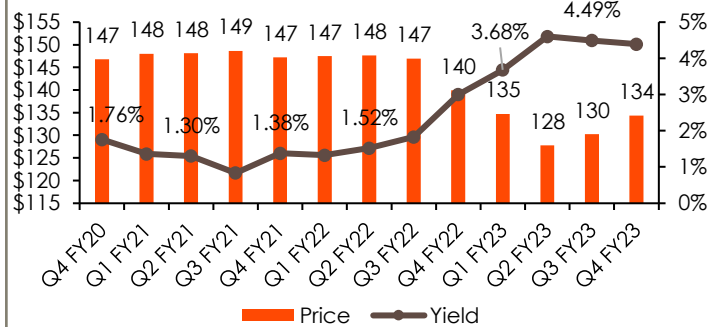
What Caused It ?

10 Year T-Bonds Price Yield Relationship



SVB's problems started when the **Fed started hiking interest rates** in early 2022. Since SBV made investments in fixed income securities like **10-year treasury bonds & agency MBS**, the hikes led to **MTM losses** on these securities.

Agency MBS Price Yield Relationship



Thus, recording a **loss of \$1.8 B** post off-loading their bond portfolio. To make matters worse the **effective duration** on agency MBS securities **increased from 2.19 to 6.20** during the **13-quarter period** as **refinancing and pre-payment activity slowed down**, thereby **increasing interest rate sensitivity by 4x**.

Corporate Debt Issuance in March***

Issuer	Secured	Size (₹ Cr)	Coupon	Tenor (years)	Rating
Yogakshemam Loans Limited	Yes	1	10%	1	BBB
Krazybee Services Private Limited	Yes	10	12.5%****	1****	BBB+
KLM Axiva Finvest Limited	Yes	22.14	9.75%	1	BBB

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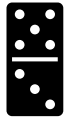
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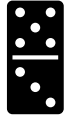
Impact from the Fallout



SVB



VC's



Startup's

SVB's collapse has **created a void** in the market, increasing the demand for alternative financial service providers. The VC industry was already facing a **capital crunch** due to **poor market sentiment**, hence setting **higher benchmarks** for financing. The banks collapse has sparked fears of **heightened systemic risks** as tremors were felt across the banking system.

SVB's Buyout



First Citizens bank agreed to **acquire** SVB, which includes their **17 branches & deposits worth \$56 B** along with **assets worth \$72 B**. Due to the insurance provided on deposits by **FDIC**, the regulator will gain **equity appreciation rights** in First Citizen bank **worth up to \$500 M**. Other departments such as their **wealth management** arm is expected to be **sold separately**.

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.

Meet the Team



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.



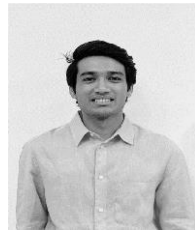
Harish Peddina
Associate

5+ years of experience in debt syndication. He previously worked at Indusind Bank covering sectors such as real estate, agri & manufacturing



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
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.



Vidhi Sarawagi
Intern

Vidhi has previously interned with IIFL securities covering technical analysis and trading in stock market. She is currently pursuing CFA.