

FINOLOOK

by unituscapital

Debt Newsletter for May 2023 | RECENT DEALS CLOSED

IKF

Equity
₹ 250 Cr

Avanti Finance

Equity
₹ 197 Cr

Pahal

Debt
₹ 42 Cr

Kazam

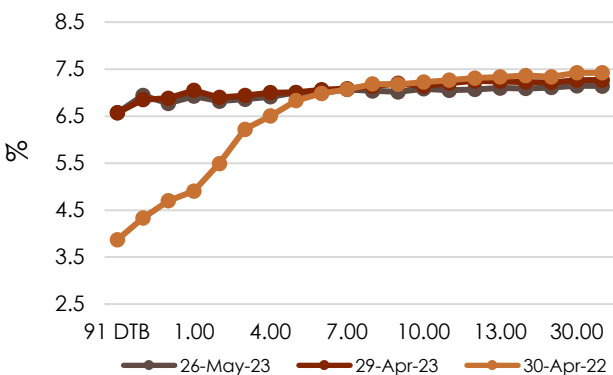
Equity
₹ 30 Cr

SBM Bank

Debt
₹ 27Cr

Market Overview*

Yield Curve



NBFC Bond Spread Over G-Sec Benchmark Indices

Tenor	3 Year Spread	5 Year Spread	10 Year Spread
AAA	71	63	54
AA	142	132	134
A	383	372	379
A-	408	397	404
BBB+	458	447	454
BBB	483	472	479
BBB-	533	522	529

With the trade balance narrowing down from the previous year largely on falling exports, and inflation and growth both seeing signs of a sluggish momentum in the near term, the RBI is expected to keep the **policy interest rates unchanged at 6.50%** in the next MPC meeting to be held in June 2023

Despite hitting an **18-month low of 4.70% in April**, **inflation** was not expected to fall to the RBI's 4% medium-term target for at least another two years, suggesting rate cuts are unlikely in the immediate future. The **yield on benchmark 10-year bond has dropped below 7%** from its June high of 7.6%, while the benchmark stock index is hovering around its all-time high amid continued purchases from foreign investors.

RBI's Stance on Climate Change**

RBI's recent report on **CURRENCY AND FINANCE 2022-23** sheds light on the crucial connection between climate change and the economy with the report titled **"Towards a Greener Cleaner India."** The report delves into the implications of climate change for the central bank's mandate of maintaining price stability and explores potential avenues for action. While central banks traditionally focus on monetary policy, the RBI recognizes that extreme weather events, shifting investor sentiment, and ecological concerns can significantly impact economic stability. In response, the RBI outlines a few measures that could potentially align financial policies with climate-friendly objectives.

Recognizing the Impact:

The report acknowledges that climate change poses a threat to price stability and economic growth. Extreme weather events can disrupt agricultural output, hamper productivity, and influence inflation expectations. The resultant changes in consumer behavior, such as increased saving and reduced consumption, can lead to volatility in commodity prices. Additionally, concerns regarding climate change may affect investor confidence, potentially leading to capital outflows and adverse effects on the domestic currency.

Reducing Environmental Footprint:

One area the RBI addresses is the environmental impact of physical currency. Recognizing the substantial emissions associated with printing,

Latest Corporate Debt Issuance***

Issuer	Secured	Size (₹ Cr)	Coupon	Tenor (years)	Rating
Amplus Iru Private Limited	No	92	10%	25	-
Bajaj Finance Limited	Yes	1317	7.89%	2	AAA

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RBI's Stance on Climate Change**

storing, and transporting cash, the report highlights the potential benefits of a Central Bank Digital Currency (CBDC). By going digital, the need for physical currency decreases, offering a more ecologically sustainable mode of payment. Moreover, the RBI suggests that digital currencies could be more energy-efficient than traditional credit and debit cards

Promoting Climate-Friendly Financing:

The RBI explores the possibility of leveraging its regulatory power to influence capital allocation towards climate-friendly sectors. Currently, the RBI mandates commercial banks to provide credit to 'priority' sectors, including agriculture, small businesses, education, housing etc. But a few years ago, the RBI decided to add the renewable energy sector within this ambit too, emphasizing the importance of financing the sector. Furthermore, the RBI contemplates introducing a scheme that provides low-cost funding to banks, which can then be passed on to renewable energy companies. Additionally, the RBI proposes the idea of rewarding banks that lend more to climate-friendly businesses, potentially through adjustments in reserve requirements.

The Controversy Surrounding Preferential Credit:

While these measures may incentivize green financing, some stakeholders question whether central banks should engage in the realm of preferential credit. Critics argue that central banks should maintain a neutral stance and avoid distorting market forces. They contend that banks

should not receive preferential treatment based on the nature of their loans. This debate highlights the challenges central banks face in striking a balance between promoting environmental objectives and maintaining their primary responsibilities

Conclusion:

The RBI's report on the intersection of money and climate change reflects the growing recognition that environmental issues can significantly impact economic stability. While central banks may have limited direct influence over climate policy, they acknowledge the potential risks associated with climate change for their core objectives. The RBI explores various avenues for addressing these risks, including the adoption of digital currencies to reduce environmental footprints and policies that encourage green financing. However, it is crucial to continue the conversation surrounding the appropriate role of central banks in promoting preferential credit to ensure that decisions strike the right balance between environmental sustainability and market neutrality.

As the effects of climate change become increasingly evident, the RBI's report serves as a reminder that addressing environmental challenges requires collaboration across various sectors, including finance and government. By acknowledging the potential risks and exploring ways to align financial policies with climate-friendly objectives, the RBI demonstrates its commitment to fostering a greener and cleaner India

Recent and upcoming events

The Power of Leverage: How Debt Financing can help Climate Tech Entrepreneurs Build a Sustainable Future.



We are excited to share that Simmi Sreen, Director at Unitus Capital and Co-Founder at Climake along with other climate experts was invited as a panelist at SusTalk#53 hosted by The Sustainability Mafia.

Upcoming Event: The State of Climate Finance in India 2023

unituscapital
CLIMAKE

Unitus Capital is thrilled to host **The State of Climate Finance in India 2023**, a gathering of funders and startup founders around India's climate progress and goals on **8th June 2023** at **Sofitel BKC Mumbai**.

Register at- <https://form.jotform.com/231403125953045>

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.



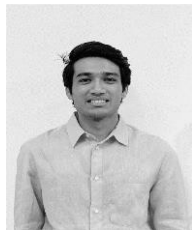
Harish Peddina
Associate

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



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.



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.



Vidhi Sarawagi
Intern

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