

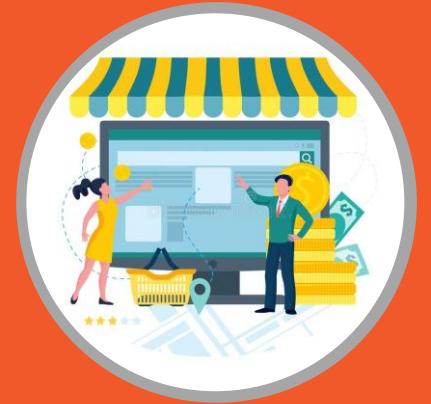


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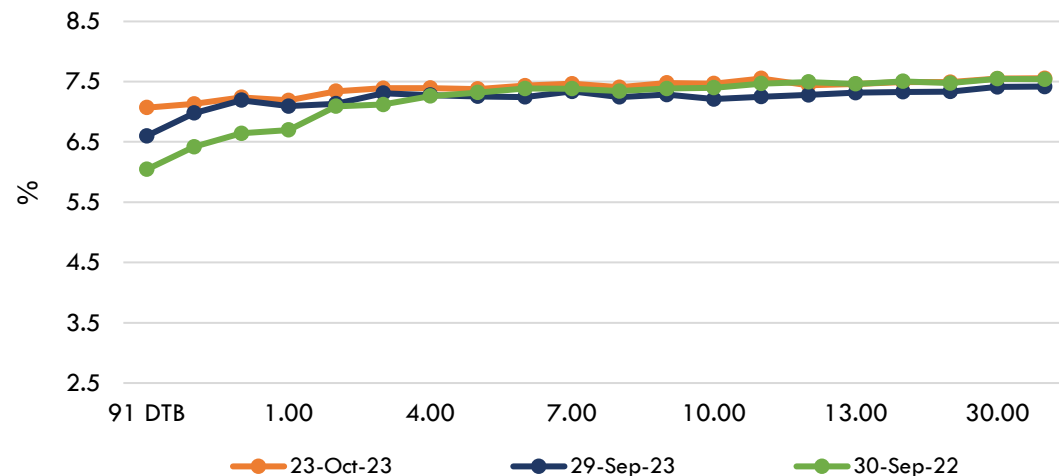
DELIVERING CAPITAL.
CHANGING LIVES.

*A tech-focused impact-first
investment bank*

Debt Newsletter for October
2023



Yield Curve



NBFC Bond spread over G-sec Benchmark indices

Tenor	3 Year Spread	5 Year Spread	10 Year Spread
AAA	57	50	48
AA	137	121	119
A	373	362	357
A-	398	387	382
BBB+	448	437	432
BBB	473	462	457
BBB-	523	512	507

Domestic Indicators

RBI projects Q2 retail inflation at 6.2%; Q3 at 5.7% and Q4 at 5.2% in FY 2023–24.



Total area sown - Kharif
Domestic air passenger traffic
Household credit
Tractor sales



Passenger vehicle sales
Merchandise exports
Non-Oil Non-Gold imports

Key market rates

Repo Rate
6.50%

Reverse Repo Rate
3.35%

MSFR
6.75%

EURIBOR-6M
4.102%

SOFR-6M
5.44063%

- ✓ A sharp surge in US Treasury yield and Israel-Hamas conflict has made Foreign portfolio investors (FPIs) cautious, leading to them pulling out over Rs. 20,300 crore from Indian equities this month, while also diversifying their investments by pumping Rs. 6,080 crore into the Indian debt market in October. (Ref: [Financial Express](#))
- ✓ Reserve Bank of India (RBI) has released the results of the forward-looking surveys. One of the surveys, the bank lending survey, which captures qualitative assessment and expectations of major scheduled commercial banks on credit parameters, has indicated optimism on loan demand across all major economic sectors, with Retail and Services sector expected to lead the growth. (Ref: [RBI](#))
- ✓ Securities and Exchange Board of India (SEBI) has relaxed norms for borrowings through the issuance of debt securities large corporates to meet their financing needs. Under the new framework, Sebi has introduced incentives for large corporates in case of surplus in the requisite borrowings and moderated disincentives if they fail to raise at least 25 per cent of their incremental borrowings through debt securities. (Ref: [Business Standard](#))

Recent Deals Closed

IKF	Avanti Finance	Nepra	Banyan Nation	Ergos	Srichakra
Equity ₹ 250 Cr	Equity ₹ 197 Cr	Debt ₹ 33 Cr	Equity	Equity	Debt

Mining, often overlooked in the context of clean energy, plays a pivotal and irreplaceable role in our journey toward a greener, more sustainable future. As we strive to reduce our carbon footprint and transition to clean energy sources, mining emerges as an unsung hero.

Is India's Mining Industry Set for a Transformation?

India is charting an ambitious course for the future. By 2030, we aim to have electric vehicles (EVs) make up at least one-third of all private vehicles on the road. Additionally, we're striving to fulfill 65% of our energy requirements through renewable sources like solar and wind. To achieve these monumental goals, there's a critical need for a substantial supply of batteries, particularly the lithium-ion variety that powers EVs and stores renewable energy.

The challenge? Presently, we heavily rely on imports for these batteries, with over 95% coming from China and Hong Kong. This not only strains our resources but also our finances. To address this, we must work towards self-reliance.

The Good News: We're on the Right Track!

Remember the groundbreaking news from February? We discovered vast lithium reserves in Jammu and Kashmir, sparking hopes of a lithium-rich future. Mining even just 10% of this resource could potentially power 60 million EVs in India, a true jackpot for our energy transition.

However, as with any worthwhile endeavor, we must overcome some hurdles on the path to success.

Changing the Rules for Progress

Historically, India's Mines and Minerals Act restricted private sector involvement, particularly in mining critical minerals crucial for national security, such as cobalt, nickel, vanadium, and others listed in the government's 30 critical minerals. This limitation led to sluggish progress, empowering state-owned enterprises. Additionally, minerals like copper, phosphorus, and tungsten, while economically significant, pose supply risks. Acknowledged in the critical minerals list, these metals are pivotal for both India's economic development and national security.

Although hailed by the Indian business community, a call for a comprehensive policy outlining private sector guidelines and incentivizing mining and processing of these minerals persists.

Intriguingly, among the 30 critical minerals, the majority are associated with renewable energy and defense sectors, with phosphorus and potash being indispensable for agriculture.

Over the past year, the government has taken steps to change the game:

1 Opening the Doors to the Private Sector: Private mining companies have been invited to participate in the process, bringing with them resources and expertise to boost progress.

2 Speeding Up Auctions: The central government expressed concern that the state authorities responsible for conducting mining auctions were operating at a sluggish pace. With no proper mining auctions held for over 4 years, the central government took a proactive stance, deciding to oversee the auction process directly. This move was intended to convey a strong commitment from the government, reassuring private companies of their seriousness in this endeavor.

3 Composite Licenses: The government introduced composite licenses, a significant change in the licensing process. Traditionally, mining licenses were granted in two separate stages: an exploration license to identify valuable deposits and a production license for actual mining.

This 2-step process deterred companies due to the financial risks associated with investing in exploration, only to potentially face denial for the production license. The introduction of composite licenses, which cover both exploration and production, aims to make the sector more appealing to the private industry while streamlining the process.

4 Competitive Royalty Rates: High mining royalties have been a historical barrier. To attract private investment, India has adjusted royalty rates to be more competitive compared to other nations, with rates set at 3% for lithium and niobium and 1% for other rare earth elements.

What Lies Ahead?

These amendments have the potential to be a gamechanger. We may witness a rush of both Indian and foreign mining companies eager to participate. Some estimates even suggest that the mining industry's contribution to GDP could rise from 1.75% to 2.5% over the next five years, bringing along with it the promise of millions of job opportunities.

So, what do you think? Can these changes set India's mining industry on a path to self-reliance and support our energy transition goals? Share your thoughts!



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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.



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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.



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

Thank You
