

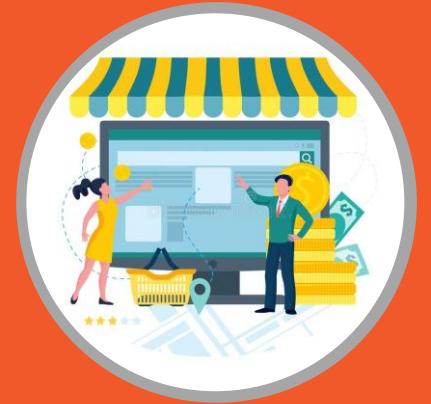


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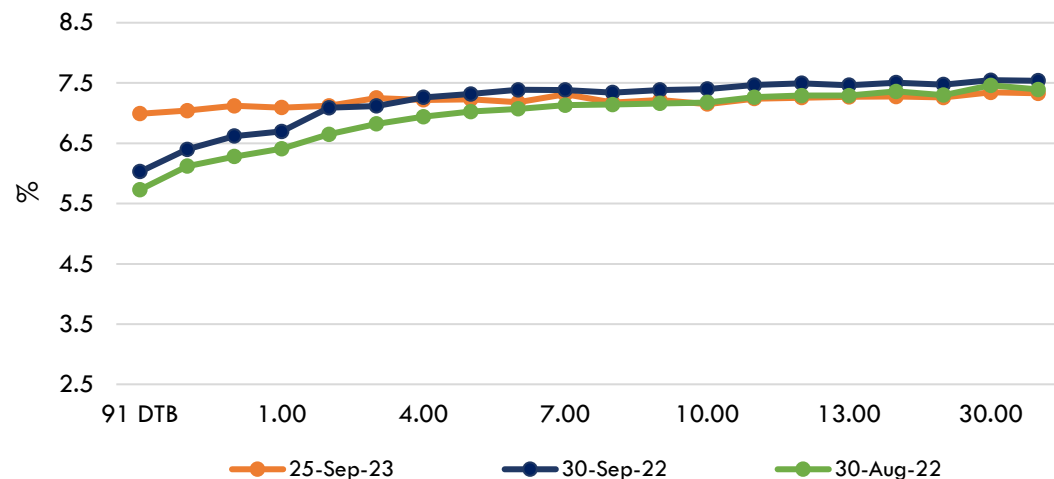
DELIVERING CAPITAL.
CHANGING LIVES.

*A tech-focused impact-first
investment bank*

Debt Newsletter for September
2023



Yield Curve



NBFC Bond spread over G-sec Benchmark indices

Tenor	3 Year Spread	5 Year Spread	10 Year Spread
AAA	35	42	45
AA	117	112	117
A	358	354	355
A-	383	379	380
BBB+	433	429	430
BBB	458	454	455
BBB-	508	504	505

Domestic Indicators

India's retail inflation eased to 6.83% in August from 7.44% in July as vegetable prices cooled somewhat compared to the previous month. The central bank has projected the CPI inflation at 5.4% for 2023-24.

	August	July
CPI urban inflation	6.59%	7.20%
CPI rural inflation	7.02%	7.63%
CPI core inflation	4.80%	4.90%

Key market rates

Repo Rate
6.50%

Reverse Repo Rate
3.35%

MSFR
6.75%

EURIBOR-6M
4.13%

SOFR-6M
5.47%

- ✓ JPMorgan will add Indian government bonds to its benchmark emerging-market index, a keenly awaited event that could drive billions of foreign inflows to the nation's debt market. The index provider will add the securities to the JPMorgan Government Bond Index-Emerging Markets starting June 28, 2024. The South Asian nation will have a maximum weight of 10% on the index. (Ref: [Money Control](#))
- ✓ The RBI addressed excessive liquidity by implementing the I-CRR, requiring banks to maintain an additional 10% cash reserve ratio for deposits accumulated between May 19, 2023, and July 28, 2023, due to the withdrawal of Rs 2000 banknotes. This move was prompted by the return of 93% of these notes, mostly as deposits. Additional factors like reverse repo auctions, GST outflows, and rupee defense interventions reduced liquidity, with August's average liquidity at Rs 1.1 lakh crore. The RBI plans to phase out this temporary measure while maintaining adequate liquidity for credit demand, considering inflation and upcoming government spending and securities redemption in H2FY24 (Ref: [Care Ratings](#))
- ✓ The release of the borrowing calendar for the second half of FY24 by the end of September will significantly impact future yields. Presently, 42% of the total borrowing of Rs 15.43 lakh crore for FY24 is scheduled to occur between October and March. (Ref: [Care Ratings](#))

Recent Deals Closed

IKF	Ergos	Nepra	Banyan Nation	Srichakra
Equity ₹ 250 Cr	Equity ₹ 53 Cr	Debt ₹ 33 Cr	Equity ₹ 84 Cr	Debt

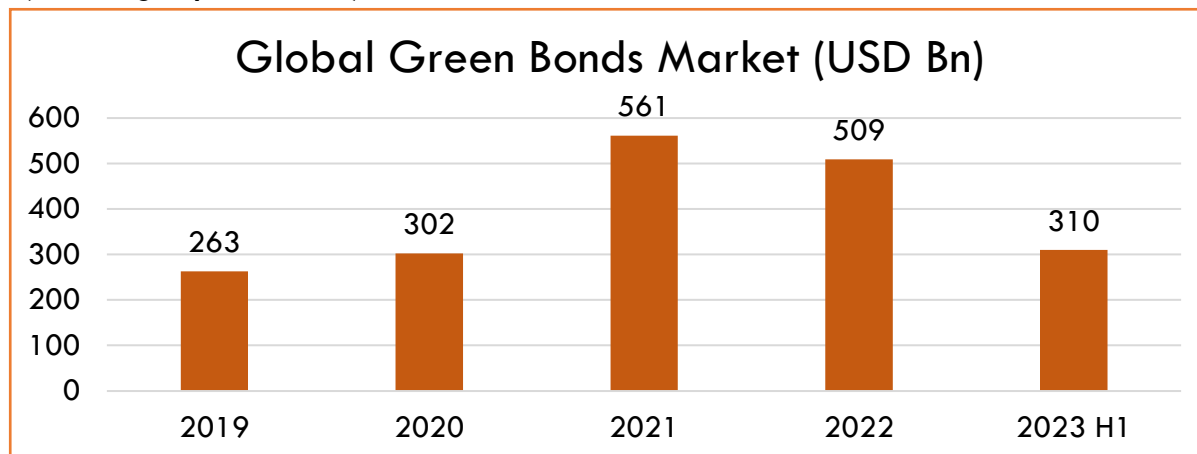
Green bonds: type of fixed-income financial instrument with proceeds earmarked exclusively for projects with a positive environmental impact.

The Green Bond Principles, guidelines developed by the International Capital Market Association (ICMA), have four components:

- use of proceeds,
- process for project evaluation and selection,
- management of proceeds,
- and reporting.

Blast from the Past:

- In 2008 the World Bank issued its first green bond :US\$ 600 million 7 year bond and a EUR 600 million 9year bond.
- Cumulative Green bond issuance till March 2023: ~USD 3 trillion
- Green bond issuance during the first half of 2023 reached \$310 billion (refer graph below)



Source: S&P Global, News articles

Type of projects for which green bonds are issued:

- Renewable energy projects
- Energy efficient projects
- Pollution control activities
- Clean and green transportation
- Suitable treatment of wastewater
- Green housing projects
- Land management and natural resources projects

Key Advantages of Green Bonds

- Ensures the fulfillment of the green initiatives
- Investors get many tax benefits by investing
- Lower cost of capital
- funds invested are used for the betterment of the environment or improvement in the quality of life

Key challenges of Green Bonds

- New to Indian stock market - lacks investor awareness
- Capital-intensive
- Long tenures usually around 10 years
- Lack of credit ratings or guidelines for credit ratings in the Indian markets which may be a deterrent for investment.

Framework for Sovereign Green Bonds:

India released its Sovereign Green Bonds Framework in 2022 to boost its renewable energy transition. The framework is designed to comply with four components International Capital Market Association (ICMA) Green Bond Principles (2021).

A 'green project' classification is based on the following principles:

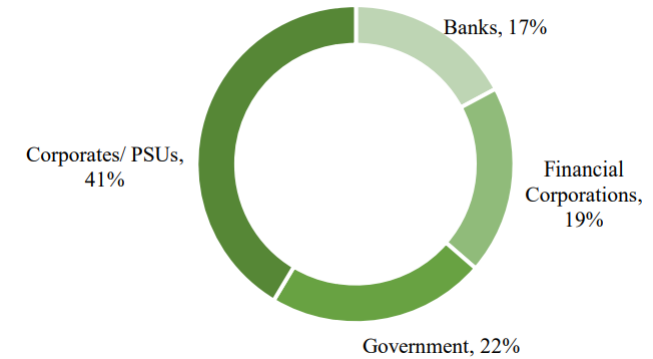
- Encourages energy efficiency in resource utilization
- Reduces carbon emissions and greenhouse gases
- Promotes climate resilience and/or adaptation
- Values and improves natural ecosystems and biodiversity especially in accordance with SDG principles

Volume of Green Bonds issuance by World's largest Economies in FY22

Countries	Amount (USD Bn)
China	76.25
Germany	60.77
U.S.	50.90
France	20.56
U.K.	18.28
Italy	14.91
Japan	12.42
Canada	11.22
South Korea	7.63
India	1.94

Green Bonds Market India : Numbers and Stats

- First green bond launched in 2015 by YES Bank: USD 15 Mn
- Cumulative issuance by Indian corporates till Mar 2023: USD 43 Bn
- Green bonds issuances, by issuers in India (pic below)



- India is the sixth largest issuer of green, social, sustainable, sustainability linked, and transition bonds (GSS+) in the Asia Pacific Region
- India issued its first pair of sovereign green bonds in January
- In January 2023, The Ministry of Finance raised \$1 billion between the two bonds, which increased to \$2 billion following a second sale in February
- Issuance of ~USD 2Bn in H2FY24 have been on hold due to lack of premium for such issuances



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

25+ 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.



Vivek Jeyakumar
Vice President

9+ years of experience in Debt fundraising. Previously worked on international portfolios with Forth Partner energy & ICICI Bank in Corporate bank & Debt Syndication.



Balaji Sridharan
Associate

3 years of experience across financial consulting, agricultural finance and ESG domains. Previously worked with Samunnati & PWC. He has done his MBA in Agri business management.



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.

Thank You
