



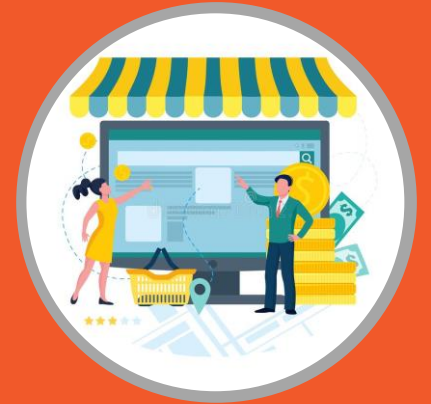
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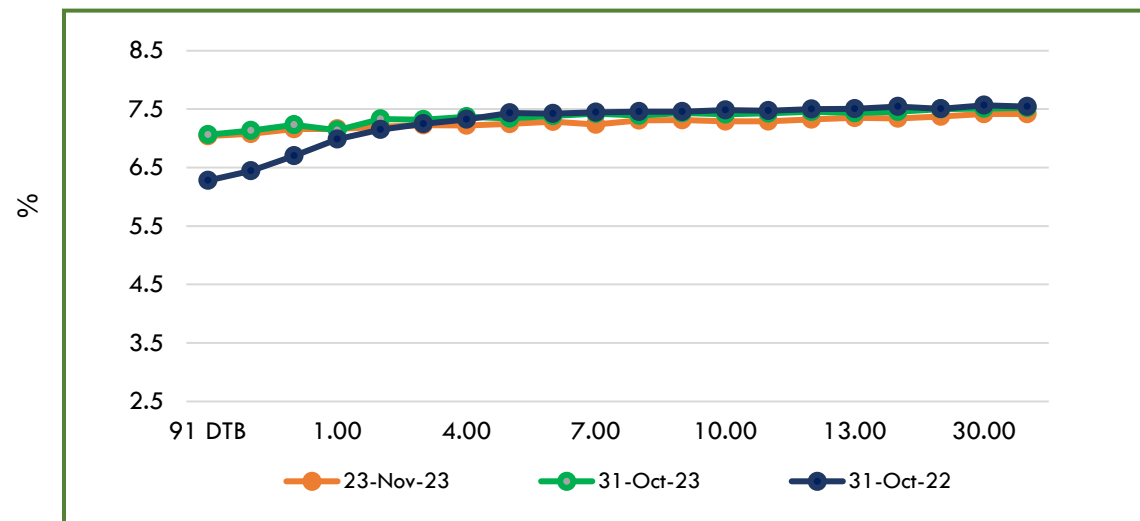
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*A tech-focused impact-first  
investment bank*

Debt Newsletter for November  
2023



## Yield Curve



## NBFC Bond spread over G-sec Benchmark indices

Tenor	3 Year Spread	5 Year Spread	10 Year Spread
AAA	13	59	48
AA	83	127	115
A	321	365	354
A-	346	390	379
BBB+	396	440	429
BBB	421	465	454
BBB-	471	515	504

Source: FIMMDA, FBIL, RBI

## Domestic Indicators

The forecast indicates that CPI inflation is expected to be 5.4% for the FY 2023-24. The quarterly breakdown shows projections of 6.4% for Q2, 5.6% for Q3, and 5.2% for Q4, with risks evenly distributed. Additionally, the MPS release notes a projected CPI inflation of 5.2% for the first quarter of 2024-25.

↑ Non-food bank credit  
Domestic air passenger traffic  
GST collections  
Service Exports

↓ Total area sown - Kharif  
Merchandise exports  
Non-Oil Non-Gold imports

## Key market rates

Repo Rate  
**6.50%**

Reverse Repo Rate  
**3.35%**

MSFR  
**6.75%**

EURIBOR-6M  
**4.074%**

SOFR-6M  
**5.4009%**

- ✓ The Reserve Bank of India (RBI) increased the risk weights in respect of consumer credit exposure of commercial banks (outstanding as well as new), including personal loans by 25 percentage points to 125%. The development comes after concerns about the rapid growth in consumer credit. (Ref: [RBI](#))
- ✓ Foreign portfolio investments in the domestic debt market hit a 27-month high in November. FPIs invested about ₹12,400 crore in Indian debt markets in November, against ₹6,381 crore in October. The inclusion of Indian G-Sec in the JP Morgan Government Bond Index Emerging Markets has spurred foreign fund participation in the Indian bond markets. (Ref: [Financial Express](#))
- ✓ Foreign Portfolio Investors (FPIs) have pared their bearish stance on Indian equities during November as they made a net investment of ₹378 crore on the sharp decline in US treasury bond yields. This came after FPIs dumped Indian equities worth ₹24,548 crore in October and ₹14,767 crore in September. (Ref: [Mint](#))

## Recent Deals Closed

IKF	Greenway	Nepra	Banyan Nation	Ergos	Srichakra
Equity \$ 30 Mn	Debt \$ 6.5 Mn	Debt \$ 4 Mn	Equity \$ 10 Mn	Equity \$ 10 Mn	Debt

## Governor's statement

RBI Governor's statement dated 6th October 2023 was focused on different topics including,

- 1.the decisions of the monetary policy committee,
- 2.assessment of growth and inflation,
- 3.Liquidity and Financial market conditions,
- 4.Financial stability, and
- 5.External sector.

### 1. Monetary Policy Committee

MPC has decided to keep the policy repo rates, standing deposit facility (SDF), Marginal Standing facility (MSF), and bank rate unchanged to ensure inflation progressively aligns to the target, while supporting growth.

### 2. Growth and Inflation

- The index of industrial production rose by 5.7 % in July and core industries output expanded by 12.1 % in August.
- Food inflation pressures and fuel price shocks along with global financial market volatility pose risk to the outlook.

### 3. Liquidity

- Phased discontinuation of I-CRR, and advanced tax outflows in September has resulted in Bank's preference to place funds under overnight SDF.
- Open market operation Sales can be used to manage liquidity.

### 4. Reasons for Caution towards unsecured personal loans and credit card debt\*

- No Specific purpose for the usage of credit, Lender driven
- Major presence of FinTechs, Lending aggregators and lending apps who are not under the direct regulation of RBI
- As per a report from Motilal Oswal Financial Services, the debt service coverage ratio in Indian households is ~12% as against China (8.5%), France (6.4%), the UK (8.6%), and the US (7.7%) all of which have a household leverage of more than 100%.
- Potential risks also include fraudulent lending apps, and misselling of EMIs among others.

\*The same has been covered in detail in the Unitus equity newsletter.

### 5. External sector

#### Activities in Contraction

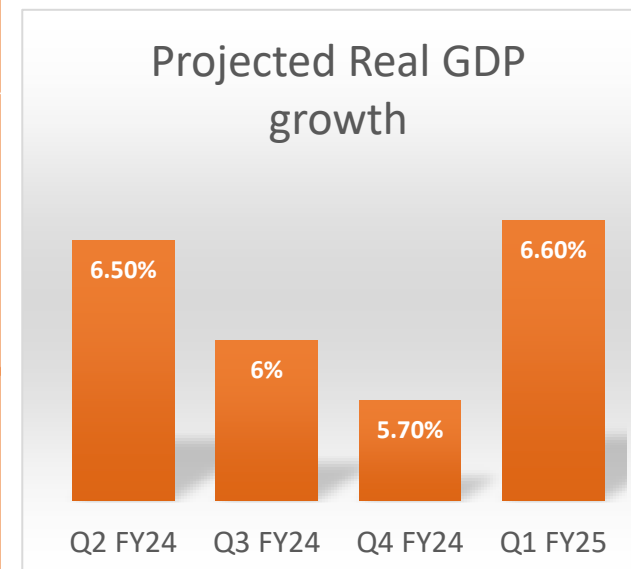
Merchandise Exports and Imports

#### Activities in Moderation

Foreign Direct Investment

#### Activities in Growth

Software and Business services  
Inward remittances  
Foreign portfolio Investments



## Quick data

Credit card debt outstanding in March'22	INR 1.64 lakh Crores
Credit card debt outstanding in March'23	INR 2.10 lakh Crores
Combined share of credit card debt and unsecured loans out of total debt as of Sep'23	9.4%
NPAs in CC debt and Personal loans as of Sep'23	2% (CC) and 2.9% (PL)
% of CC debt outstanding with Interest rates over 13%	98%
Fintech personal loans of INR 10,000 or less during FY23	80%
Fintech personal loans with a tenure of 6 months or less during FY23	73%

### Positive Outlook

Housing finance companies

### Negative Outlook

Banks with high exposure to unsecured loans  
Digital lending platforms

### Response from NBFCs

Finance Industry Development Council (FIDC), has requested RBI on behalf of the NBFCs to reduce to reevaluate the revised risk weights as it might negatively impact the credit flow to micro, small and medium enterprises (MSME).

### In conversation with clients

“The impact on capital adequacy will largely depend on whether you have partnerships with small players or larger players. An impact of 20-25 bps is expected on Capital Adequacy of banks, which will have minimal impact on pricing of consumer loans. Players in the off-balance sheet space are experienced and are more concerned with repayment track records. The New regulations from RBI indicate that RBI is wary towards the sudden growth spurt in the segment. This will prompt Banks to be more selective in their proposals and more focus on the credit rating of NBFCs.”



**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

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