HDFC Bank raises $1 bn in maiden AT-1 bond issue

This is the largest such issuance by an Indian bank, a statement from the lender said

PRESS TRUST OF INDIA
Mumbai, August 19

HDFC BANK ON Thursday said it has raised $1 billion in its maiden AT-1 bond issue from global investors at a tight pricing, in a deal that will help allay fears over the capital raising instrument for lenders in the country.

The largest private sector lender managed to get a final pricing of 3.7% on the coupon as against an initial guidance of 4.125%, while the final subscriptions stood at $3.2 billion, arrangers to the issue said.

The issue is the first such by any bank after outstanding debt of ₹8,400 crore raised by Yes Bank through the same instrument was written off in March 2020 as part of the lender's bailout backed by the RBI, which had led to concerns about the instrument itself.

"This is a mark of the faith they have in brand HDFC Bank and its prudent and robust business model. We believe that this successful issuance will set the road for other Indian players looking to raise AT-1 bonds in the overseas markets," it's treasurer Ashish Parthasarthy said.

The AT-1 notes will be listed on the India International Exchange (IFSC).

"Given the huge interest from marquee investors across the US, Asia and EMEA, the bond attracted the lowest ever coupon globally in this issue rating category, thus setting a benchmark for other Indian Banks to capitalize on," Kaku Nakhate, president and India country head, Bank of America, one of the arrangers to the issue, said.

According to reports, SBI is looking to raise over ₹14,000 crore from the same instrument soon.

Aiming to capitalize on the low rates environment and highly supportive market backdrop, HDFC Bank started the road shows for the issue two days before launching the issue on Wednesday and engaged with as many as 125 investors, the arrangers said.

Bonds were sold to qualified institutional buyers in reliance on Rule 144A, and outside the US in offshore transactions in reliance on Regulation S

Orders began flowing in as soon as it announced the initial pricing guidance and had touched up to ₹4.4 billion by the time it announced the final pricing of 3.7%, they said.

The arrangers, which also included HSBC, Standard Chartered, Citi and Barclays, had on Wednesday said Singaporean investor GIC and US-based Fidelity and Blackrock were among those who had subscribed to the issue.

The bonds were sold to qualified institutional buyers in reliance on Rule 144A and outside the US in offshore transactions in reliance on Regulation S, the bank said.

The lender's statement said this is the largest such issuance by an Indian bank.

Maharashtra completes 92% kharif sowing ops

FE BUREAU
Pune, August 19

FARMERS IN MAHARASHTRA have completed sowing on 139.10 lakh hectares for the current kharif season, which adds up to 92% of the total sowing operations, according to the latest sowing report of the Department of Agriculture. The average area under kharif crops in the state is 151.33 lakh hectares along with sugarcane.

Last year, the state had completed sowing on nearly 137.23 lakh hectares by August 10. Excluding sugarcane, the sown area was around 136.01 lakh hectares, accounting for nearly 95.80% of the total sowing operations.

According to the report, crops have been damaged in Konkan, Kolhapur, Amravati, Pune and Nagpur divisions. Due to long breaks in monsoon and subsequent heavy rains, there have been attack of various pests and diseases.

Soybean growers, especially in Marathwada, are concerned about mosaic virus, as well as infestation of pink and American bollworm.

The agriculture department has issued advisories for preventive measures to be taken to tackle the pest problem. Soybean growers from Amravati, Latur and Osmanabad districts have reported the attack of mosaic virus. Maize farmers in the state have also faced fall army worm infestation.

Pink and American bollworm infestation in cotton fields continues to be a major problem. Some cotton fields in Marathwada and Vidarbha have reported infestation of this pest.

The state Agriculture Commissioner recently chaired a high-level meeting of various experts on the issue of virus attacks on tomato crop as growers in Maharashtra have reported major crop loss due to the attack of mosaic virus in the last two years. The government has also reported fall army worm infestation on jowar, powdery mildew on cotton, camel larvae on soybean and weevils on the paddy crop in parts of the state.

Meanwhile, soybean has now overtaken cotton to become the number one crop in the state and has been sown on 44.73 lakh hectares. Last year, soybean was sown on some 42 lakh hectares.

Oil slumps more than 3%, hits lows of May

STEPHANIE KELLY
New York, August 19

OIL PRICES SKIDDED on Thursday for a sixth session, hitting lows not seen since May, pressured by a stronger US dollar and concerns about weaker demand as COVID-19 cases rise.

The oil market rallied throughout the first half of 2021, but the newest wave of coronavirus infections throughout the world has sapped global travel and threatens economic activity. That comes just as major oil producers are readying supply increases and as US drilling activity edges up.

"There seems to be a lot of people getting squeezed out of long positions," said Phil Flynn, analyst at Price Futures Group.

Brent crude was down $2.42, or 3.6%, to $65.82 a barrel by 11:32 am EDT (1532 GMT), after touching $65.57, lowest since May 21. The most-active contract for US West Intermediate (WTI) fell $2.54, or 3.9%, to $62.67 a barrel. It fell earlier to $62.41 a barrel, lowest since May 21.

Both benchmarks have declined for six days in a row, the longest losing streak since February 2020.

Volumes on Thursday were relatively light, considering the magnitude of the sell-off, said Flynn. Brent volumes were just under 250,000 contracts, while volumes for the most-active WTI contract were around 310,000.

The Delta variant in areas of low vaccination is driving transmission of COVID-19, the World Health Organization said. Coronavirus-related deaths have spiked in the US over the past month.

The US dollar hit a nine-month high on Thursday after Federal Reserve meeting minutes showed policymakers are considering reducing pandemic-era stimulus this year. A rising U.S. dollar makes greenback-denominated oil more expensive for holders of other currencies. **—REUTERS**

CCI may need to procure much less as prices likely to rule above MSP

NANDA KASABE
Pune, August 19

THE COTTON CORPORATION of India (CCI) may be required to procure minimal amount of cotton in the 2021-22 season, as kapas prices are likely to rule above the minimum support prices (MSP) for a better part of the season. Procurement may be required during the peak season when prices drop below the MSP, top officials of the corporation said.

As against 92 lakh bales that was procured in the 2020-21 season, the CCI may not be required to procure more than 30 lakh bales for the new season, Pradeep Kumar Agarwal, CMD of the CCI, told *FE*. Strong demand for cotton and depleting stocks, in addition to 10% import duty levied on cotton, have caused prices to rise to ₹6,500-7,000/quintal at the start of the season.

Although the area under coverage has gone down by 6-8%, from 133 lakh hectares last year to 125 lakh hectares in the current season, cotton production will still be high because of good rains and may touch 350-360 lakh bales. As per CCPC data, the 2020-21 season began with an opening stock of 120 lakh bales and the crop size was 371 lakh bales with 11 lakh bales of imports, leading to a total supply of 502 lakh bales. The new season may begin with an opening stock of 60-70 lakh bales.

"CCI will be present in the market to ensure that the farmer does not sell in distress. Intervention may be required only during the peak season in December when arrivals are high and prices may fall below MSP. The CCI may then be required to intervene for a short period of 15-20 days, especially in far flung rural areas where there are no buyers," Agarwal said.

The procurement may not go above 30 lakh bales. Meanwhile, cotton arrivals have begun in the north in a small way, with 800-2,000 bales being brought to the market on a daily basis and these are not meeting the quality parameters of the corporation, the CCI chief said. "Significantly, this season along with kapas prices, cotton seed prices are also ruling high and promise good returns to farmers. Seed prices have gone up to ₹4,500-5,000 per quintal as against ₹2,500 a year ago," he said.