



ICRA
A MOODY'S INVESTORS
SERVICE COMPANY

FINANCIAL MARKETS & BANKING UPDATE Vol.4: FY2020-21

**ECB approvals continue to lag;
expected to decline in FY2021.**

January 2021

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Anil Gupta
+91 124 4545 314
anilg@icraindia.com

Aditi Nayar
+91 124 4545 385
aditin@icraindia.com



CONTENTS

Highlights during the quarter ended December 2020.....	2
FOREIGN INSTITUTIONAL INVESTMENT: FII inflows surged in Q3 FY2021, led by primarily by equity	6
FOREIGN INSTITUTIONAL INVESTMENT (EQUITY): Inflows surged to US\$19.2 billion during Q3 FY2021; net inflows of US\$ 32-37 billion expected during FY2021.....	7
FOREIGN INSTITUTIONAL INVESTMENT (DEBT): Inflows of US\$1.6 billion witnessed during Q3 FY2021, after a gap of four quarters	8
INWARD FOREIGN DIRECT INVESTMENT: FDI inflows likely to surpass FY2020 levels on the back of big ticket deals	9
OUTWARD FOREIGN DIRECT INVESTMENT: Uptick in FDI flows during Q2 FY2021; sustained improvement to pre-Covid levels remains to be seen	10
EXTERNAL COMMERCIAL BORROWINGS: ECB approvals continues to lag on a YoY basis; approvals for FY2021 expected to decline by US\$17-22 billion	11
GROWTH: India's GDP to contract by a mild 1.0% in Q3 FY2021, grow by 1.3% in Q4 FY2021	12
INFLATION: CPI inflation softened mildly in Q3 FY2021 relative to Q2 FY2021, while WPI inflation rose led by uptrend in commodity prices.....	17
DEPOSITS: At Rs 13.0-14.0 trillion of incremental deposits, YoY growth estimated to be 9.6-10.3% for FY2021. Expect steady growth of 9.5-10.0% for FY2022	21
BANK CREDIT: Credit growth to pick-up from a muted 3.-9-5.2% in FY2021 to 6.0-7.0% in FY2022	22
LIQUIDITY: Liquidity surplus increased sharply in Q3 FY2021 following record foreign capital inflows and liquidity operations by the RBI	23
CORPORATE DEBT: Bond issuances declined in Q3 FY2021 on a sequential basis, as regulatory/policy support waned off	25
BOND YIELDS: Yield curve to rise and flatten in coming quarters, with higher uptick in short-term rates.....	26
Table A1: Capital and Financial Market Indicators	28
Table A2: Macro Economic Indicators	29
Table A3: Top bond issuers during Q3 FY2021	30

ABBREVIATIONS

AUM: Assets Under Management

BSNL: Bharat Sanchar Nigam Limited

CASA: Current and Savings Account Ratio

CAD: Current Account Deficit

CD: Certificates of Deposit

CDSL: Central Depository Services (India) Limited

CEA: Central Electricity Authority

CIC: Currency in Circulation

CP: Commercial Paper

CPI: Consumer Price Index

CMB: Cash Management Bills

CRR: Cash Reserve Ratio

CSO: Central Statistics Office

CWP: Cash with Public

CY: Calendar Year

DII: Domestic Institutional Investors

DIPP: Department of Industrial Policy and Promotion

ECBs: External Commercial Borrowings

EM: Emerging Markets

FCCBs: Foreign Currency Convertible Bonds

FCI: Food Corporation of India

FDI: Foreign Direct Investment

FII: Foreign institutional Investment

FPI: Foreign Portfolio Investment

FPO: Follow on Public Offer

FRL: Full Reservoir Level

FSB: Fully Serviced Bonds

FY: Financial Year

G-Sec: Government Securities

GDP: Gross Domestic Product

GFCE: Government Final Consumption Expenditure

GFCE: Gross Fixed Capital Consumption

Gol: Government of India

GST: Goods and Services Tax

GVA: Gross Value Added

HFC: Housing Finance Company

IDBI: The Industrial Development Bank of India

IIP: Index of Industrial Production

IPO: Initial Public Offer

IMD: Indian Meteorological Department

INR: Indian National Rupee

JV: Joint Venture

LAF: Liquidity Adjustment Facility

LIBOR: London Interbank Offered Rate

LPA: Long Period Average

LRS: Liberalised Remittance Scheme

MPC: Monetary Policy Committee

MSCI: Morgan Stanley Capital International

MSF: Marginal Standing Facility

MSP: Minimum Support Prices

MSS: Market Stabilisation Scheme

NABARD: National Bank for Agriculture & Rural Development

NDTL: Net Demand & Time Liabilities

NBFC: Non-Banking Financial Company

NSDL: National Securities Depository Limited

OMO: Open Market Operations

PFCE: Private Final Consumption Expenditure

PSB: Public Sector Bank

PVB: Private Sector Bank

QoQ: Quarter-on-Quarter

RBI: Reserve Bank of India

RDB: Rupee Denominated borrowings

SIAM: Society of Indian Automobile Manufacturers

SIDBI: Small Industries Development Bank of India

SCB: Schedule Commercial Bank

SDL: State Development Loans

SLR: Statutory Liquidity Ratio

UAE: United Arab Emirates

UK: United Kingdom

US\$: United States Dollar

VRR: Voluntary Retention Route

WPI: Wholesale Price Index

YTD: Year to Date

LTRO: Long-term repo operations

TLTRO: Targeted long-term repo operations

T-Bill: Treasury Bill

TTM: Trailing Twelve Months

WoS: Wholly Owned Subsidiary

ABOUT ICRA

ICRA Limited (formerly Investment Information and Credit Rating Agency of India Limited) was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange.

Alliance with Moody's Investors Service

The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. The participation of Moody's is supported by a Technical Services Agreement, which entails Moody's providing certain high-value technical services to ICRA. Specifically, the agreement is aimed at benefiting ICRA's in-house research capabilities, and providing it with access to Moody's global research base. The agreement also envisages Moody's conducting regular training and business seminars for ICRA analysts on various subjects to help them better understand and manage concepts and issues relating to the development of the capital markets in India. Besides this formal training programme, the agreement provides for Moody's advising ICRA on Rating-products strategy, and the Ratings business in general.

The ICRA Factor

Our services are designed to

- Provide information and guidance to institutional and individual investors/creditors;
- Enhance the ability of borrowers/issuers to access the money market and the capital market for tapping a larger volume of resources from a wider range of the investing public;
- Assist the regulators in promoting transparency in the financial markets;
- Provide intermediaries with a tool to improve efficiency in the funds raising process.

Business Contacts

Mr. L. Shivakumar
E-mail: shivakumar@icraindia.com
Tel: +91 22 6114 3406 / +91 98210 86490

Mr. Jayanta Chatterjee
E-mail: jayantac@icraindia.com
Tel: +91 80 4332 6401/ +91 98450 22459

Media and Public Relations

Ms. Naznin Prodhani
E-mail: communications@icraindia.com
Tel: +91 124 4545 860

Registered Office:

1105, Kailash Building, 11th Floor,
26, Kasturba Gandhi Marg,
New Delhi - 110 001
Tel: + 91 11 2335 7940-45

Corporate Office:

Building No.8, 2nd Floor,
Tower A, DLF Cyber City Phase II,
Gurgaon- 122 002
Tel: +91 124 4545300

Ahmedabad

1809-1811, Shapath V,
Opposite Karnavati Club
S.G. Highway, Ahmedabad - 380015
Tel: +91 79 4027 1500/01

Bengaluru 1

'The Millenia', Tower- B, Unit No. 1004,
10th Floor, 1 & 2 Murphy Road,
Bengaluru - 560 008
Tel: +91 80 4332 6400

Bengaluru 2

2nd Floor, Vayudooth Chamber,
15-16, Trinity Circle, M.G. Road,
Bengaluru - 560 001
Tel: +91 80 4922 5500

Chennai

5th Floor, Karumuttu Centre,
634, Anna Salai, Nandanam
Chennai - 600 035
Tel: +91 44 4596 4300

Hyderabad 1

No. 7-1-58, 301, 3rd Floor, 'CONCOURSE',
Above SBI-HPS Branch, Ameerpet,
Hyderabad - 500 016
Tel: +91 40 4920 0200

Hyderabad 2

4A, 4th Floor, SHOBHAN,
6-3-927, A&B Somajiguda,
Raj Bhavan Road,
Hyderabad – 500082
Tel: +91 40 40676500

Kolkata

A-10 & 11, 3rd Floor,
FMC Fortuna 234/3A,
A.J.C. Bose Road,
Kolkata -700 020
Tel: +91 33 7150 1100/01

Mumbai

3rd Floor, Electric Mansion
Appasaheb Marathe Marg,
Prabhadevi,
Mumbai - 400 025
Tel: +91 22 6169 3300

Pune

5A, 5th Floor, Symphony,
S. No. 210 CTS 3202 Range Hills Road,
Shivajinagar, Pune - 411 020
Tel: +91 20 2556 0194, 020 6606 9999

Email: info@icraindia.com

Helpdesk: 9354738909

Website: www.icra.in/ www.icraresearch.in