

How ECB registrations have moved

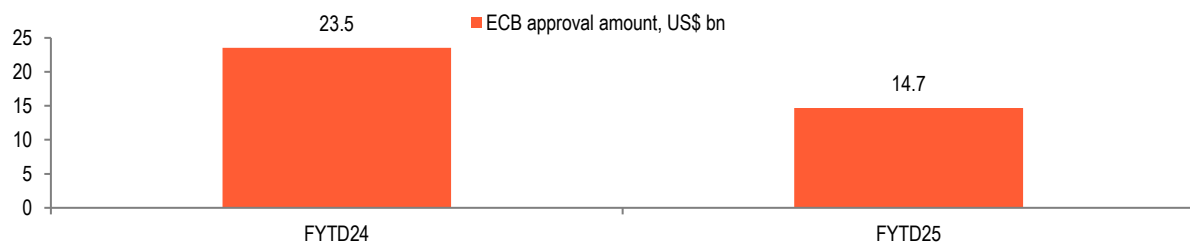
The current fiscal year (April-July) so far has seen moderation in ECB registrations against volatile global interest rates and weaker currency. This also comes against a record high flow towards this segment witnessed last year. Sector wise, NBFCs dominate with main purpose being for on-lending/sub lending. This necessarily is not bad since if we delve into the credit profile of NBFCs, large industry has a major share. Manufacturing especially infrastructure, also witnessed considerable improvement in its share in ECB. In fact, within infrastructure, it is more broad-based with sectors such as energy, mining and exploration, also registering an increase. Previously, it was skewed towards communication. Moderation in ECB registrations, on the other hand, was compensated by higher flows in terms of Bank credit and higher fund raising in the capital market. This does signal that there are signs of capital accumulation taking place.

Going forward, as normalization in monetary policy picks pace, globally, some momentum might be witnessed in overall flows amidst easier liquidity conditions.

ECB registrations in FYTD25:

ECB registrations in the current fiscal for first 4 months showed some downward bias, in the wake of record high amount seen during the same period of previous year. The registration amount both through automatic and approval was lower at US\$ 14.7bn in FYTD25 compared with US\$ 23.5 in FYTD24. In terms of number of approvals as well, it was slightly lower at 455 compared to 472. This might be attributed to volatility in global interest rates. Interest rate differential with the US has softened to ~279bps in FYTD25 from 325bps in FYTD24, as US rates have risen at a sharper pace than India's. This coupled with weaker currency (INR hovering around record low levels), possibly have acted as a deterrent in terms of higher borrowing cost and unfavourable hedging of the debt service component.

Figure 1: ECB approval amount moderated in FYTD25



Source: RBI, Bank of Baroda Research, Note: FYTD: Apr-Jul

How sector wise picture fared?

Sector wise, NBFCs witnessed major increase in its share. From 16.5%, it went up to 39.5% in FYTD25 (**Table 1**). During the same period, growth in bank credit to NBFCs softened to 12.7% on YoY basis compared to 19.9%. Share of infrastructure in ECBs also remained broadly aligned at 36.6%. During

the same period, bank credit to infrastructure picked up to 3.8% on YoY basis compared to 1.4%. Easier financing conditions and comparatively lucrative rates (Weighted Average Margin of ECBs over alternative reference rate has broadly remained range bound at 1.5, against an elevated WALR) might have resulted in the same.

Manufacturing witnessed some deceleration in share in ECB. From 46.9%, it went down to 14.5%. However, this was supplemented by bank credit to industry which went up at a sharper pace by 10.1% from 5.2%, during the same period of consideration. Government’s continuous effort to boost the MSME sector has contributed to maintaining a healthy credit offtake to industry. Even for funds raised from primary market in the debt segment, share of manufacturing went up to 4.3% in FYTD25 from 1.1% in FYTD24.

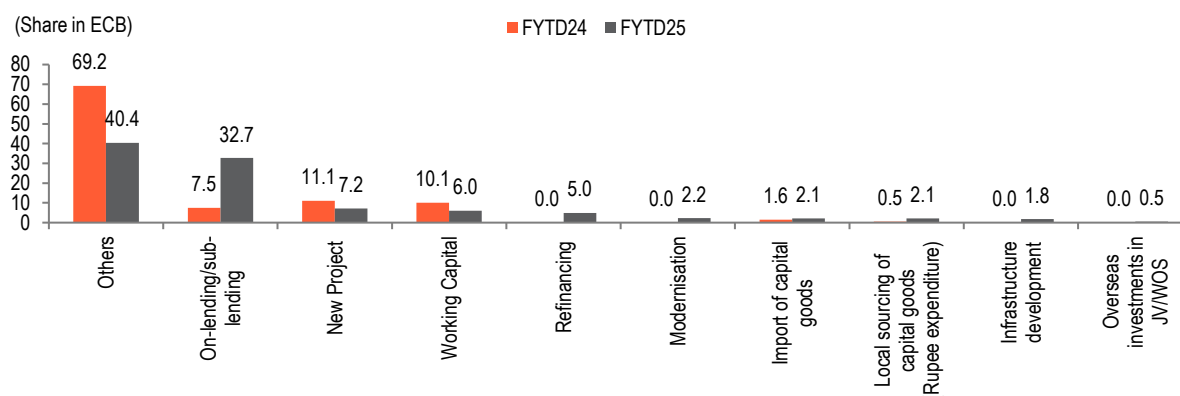
Table 1: Sector wise, NBFCs dominate the share

Share of Sectors in ECB	FYTD24	FYTD25
Manufacturing	46.9	14.5
Infrastructure	34.8	36.6
Services	1.1	3.7
Other Entities	0	0.2
Banks	0	0
Financial Institution (Other than NBFCs)	0	0
NBFCs	16.5	39.5
Non-Government Organization (NGO)	0	0
Micro Finance Institution (MFI)	0	0
Others	0.8	5.5

Source: RBI, Bank of Baroda Research, Note: FYTD: Apr-Jul

Purpose wise, on-lending/sub lending constitutes majority share, especially by NBFCs. However, that’s necessarily not bad as the credit to various sectors of NBFCs reveal that Industry occupies a major share of credit offtake of NBFCs, especially large industry. Thus funds are utilized for capital creation albeit through different modes of financing. Some increase in share in ECB has also been witnessed for import and local sourcing of capital goods.

Figure 2: On lending/sub lending has the major share in terms of purpose



Source: RBI, Bank of Baroda Research, Note: FYTD: Apr-Jul

ECB to infra is more widespread

What has emerged interestingly is the more symmetric distribution of sub sectors within infrastructure compared to last year, where it was just communication with 77% share in overall ECB. Now sectors such as energy, Exploration, Mining and Refinery has noticed an increase in its share. Thus, some build up in momentum is noticed for sectors which play a crucial role in capital accumulation.

Table 3: Within infra, distribution is more extensive compared to last year

Infrastructure	FYTD24	FYTD25
Energy	3.7	39.4
Other Sub-Sectors	6.9	31.7
Exploration, Mining and Refinery	10.1	25.4
Social and Commercial Infrastructure	0.0	2.2
Transport	1.9	0.8
Water and Sanitation	0.3	0.5
Communication	77.0	0

Source: RBI, Bank of Baroda Research, Note: FYTD: Apr-Jul

Tenor wise flows

Concentration of debt is below 5years. However, compared to same period of last year, above 10 years segment has witnessed an increase as long end part of interest rate has been less volatile, globally.

Table 4: Tenor wise flows

	FYTD24	FYTD25
Below 5 Years	68.4	55.1
5-10 Years	22.0	27.7
above 10Years	9.7	17.2

Source: RBI, Bank of Baroda Research, Note: FYTD: Apr-Jul

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