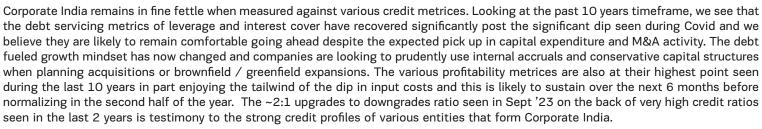
Debt Outlook

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Sunaina Da Cunha Co – Head, Fixed Income Aditya Birla Sun Life AMC Limited



This Credit Underwriters' dream period dovetails well into the goldilocks situation we are experiencing in India on the Macro side of strong growth coupled with a downtrend in inflation. Most of the high frequency indicators of PMIs, credit growth, tax collections, e-way bills, passenger car sales, and capacity utilization other than the external sector continue to flash bright green pointing to a healthy continuing underlying momentum. CPI inflation has continued its broad decline despite intermittent shocks from volatile vegetable prices and the decline seen in the sticky core inflation is particularly heartening. Liquidity is expected to remain broadly balanced blunting the use of that tool for the RBI. Thus, this dream run wrt creditworthiness that Corporate India is experiencing is expected to continue for some time more.

Credit demand has picked up and is expected to CAGR at 17% in the next decade. Continued tightness in the dollar markets would lead many corporates who used to borrow abroad using UDS financing are now finding domestic borrowing is relatively cheaper. With the balanced liquidity now in the banking system, and steep rise in the credit-deposit ratio of the banks - corporates will need to look outside the banking system to meet their needs. Many large wholesale financing Non Banks have slowed down their disbursements. So we expect a lot of this high quality supply to start feeding into the Corporate Bond Markets

The abundant liquidity previously sloshing about the banking system had driven spreads to decadal lows. Corporate bond spreads are finally showing signs of expanding. With liquidity expected to remain balanced going forward, a return to better risk adjusted pricing is expected just when the Supply of good quality papers is expected to hit the Bond Markets.

All this augurs well for a relook at Higher Yielding papers. Smart money and large family offices have already picked up the pace of investments as evidenced in the volume pick up in various online platforms retailing Higher Yielding bonds. A well-diversified professionally managed basket which offers liquidity would always be a better proposition.

We continue to prefer cash flow generating companies and sectors with good promoters, performance track record, and a conservative capital structure and accordingly, will selectively invest in those sectors and companies.

Our Recommendations		
Approach	Fund	Investment horizon
Very Short Duration	Aditya Birla Sun Life Liquid Fund	7 days -1 month
Very Short to Short Duration	Aditya Birla Sun Life Savings Fund	1 month -6 months
Short Duration	Aditya Birla Sun Life Low Duration Fund	6-12 months
Accrual Strategy with High Quality Credit	Aditya Birla Sun Life Corporate Bond Fund	1-3 years
Active Management	Aditya Birla Sun Life Dynamic Bond Fund	Above 3 years
Accrual Strategy with High Yielding Credit	Aditya Birla Sun Life Medium Term Plan	Above 3 years
None of the aforesaid recommendations are based on any assumptions. These are purely for reference and the investor are requested to consult their financial advisors before investing.		

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.