THURSDAY, 18 JULY 2024
28 pages in 2 sections
NEW DELHI
₹13.00
VOLUME XXXI NUMBER 79

www.business-standard.com

Business Standard

WORLD P8
TRUMP-VANCE DUO COULD HERALD NEW ERA FOR DOLLAR

TAKE TWO P13
NEEDED: FISCAL POLICY RESET

COMPANIES P2
PLAN AFOOT TO SET UP MEGA HOLLYWOOD-LIKE STUDIO

PUBLISHED SIMULTANEOUSLY FROM AHMEDABAD, BENGALURU, BHOPAL, BHUBANESWAR, CHANDIGARH, CHENNAI, HYDERABAD, KOCHI, KOLKATA, LUCKNOW, MUMBAI, NEW DELHI AND PUNE

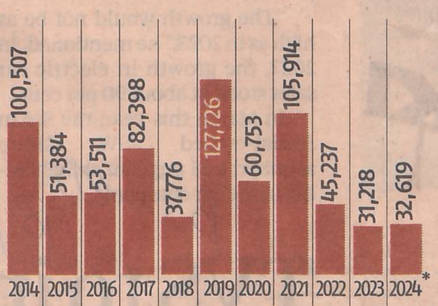
₹32,619 cr & rising: India Inc back with overseas bonds

Reduced hedging cost, appetite for high-yield bonds help big-dollar borrowing in 2024

ILLUSTRATION: AJAY MOHANTY

IN VOGUE, AGAIN

Funds raised through overseas bonds by Indian companies



*until June

Source: PRIME Database

SUBRATA PANDA & ANJALI KUMARI
Mumbai, 17 July

Overseas fundraising by Indian firms is experiencing a robust revival in 2024, following a lacklustre 2023. This resurgence is primarily driven by strong demand for high-yield bonds from international investors amid improving liquidity conditions and reduced hedging costs.

Indian companies raised ₹32,619 crore through overseas bonds in the first half of 2024, surpassing the total amount raised via such instruments in the entire 2023, which stood at ₹31,218 crore, according to PRIME Database. In comparison, ₹45,237 crore was raised in 2022 and ₹1.05 trillion was secured in 2021.

The elevated global yields, a consequence of the US Federal Reserve's rate hikes in 2023, had initially discouraged India Inc from seeking funds through overseas bonds. It turned to local borrowing amid ample domestic liquidity. "Companies are diversifying their borrowing. The hedging cost has come down, and they are preferring the overseas market because they are unable to secure large amounts from the domestic market," said Venkatakrishnan Srinivasan, founder and managing partner of Rockfort Fincap LLP.

Turn to Page 5

FROM PAGE 1

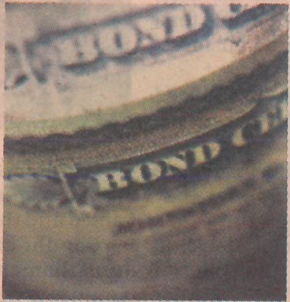
NBFCs turn to $ bonds for fundraise

"Certain lower-rated companies are not getting favourable rates or investor appetite in the domestic market. Additionally, following the RBI's circular on bank lending to non-banking financial companies (NBFCs), banks are now more cautious about lending to NBFCs," Srinivasan added.

In November last year, the Reserve Bank of India (RBI) increased risk weighting for bank loans to NBFCs, asking shadow banks to diversify their funding sources beyond traditional bank loans. This regulatory push has led NBFCs to explore alternative financing avenues, including the domestic and overseas bond markets.

Recent RBI data shows growth of bank loans to NBFCs moderated to 14.4 per cent year-on-year in April 2024, compared to 18.5 per cent in November 2023.

Industry sources indicate a rise in bond market activity, with improved spreads, although rates remain high. With bank loan rates increasing and reduced lending to



NBFCs through traditional banking channels, many are turning to the dollar bond market to diversify their funding sources and raise capital.

Several NBFCs have raised funds through dollar bonds this year to diversify their funding sources. Shriram Finance, Indiabulls Housing Finance, Muthoot Finance, and Manappuram Finance have all tapped the dollar bond market. Additionally, Piramal Capital and Housing Finance is also looking to raise funds through dollar bonds.

Lower hedging costs and the anticipation that India will follow the US in cutting rates, albeit with a delay, have prompted some Indian corporations to seek overseas borrowing proactively to save on costs, noted Vinay Pai, head of fixed income at Equirus Capital.

The Federal Reserve, after hiking the policy rate by 5.25 percentage points from March 2022 in response to rising inflation, has maintained a steady rate since July 2023 to curb persistent inflation. At the beginning of 2024, the market anticipated four rate cuts by the Fed by year-end; however, a slew of unfavourable data has adjusted expectations to a single rate cut by the year's close. Currently, the market expects more than one rate cut starting in September, with the benchmark 10-year US Treasury bond yield softening by 23 basis points this month in the anticipation of rate cuts by the Federal Reserve within the current calendar year. According to the CME FedWatch tool, 92 per cent of traders expect the US rate-setting panel to cut rates by 25 basis points in September.