

Softening rates spur Indian firms' overseas bond issuances

High demand, lower costs drive global fundraising surge

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With interest rates softening, lower hedging costs, and a growing appetite for high-yield paper, Indian companies are likely to step up activity in the overseas bond market in the coming months.

According to the Primedatabase data, there were 36 issues by Indian companies in the overseas bond market until September, resulting in ₹29,029 crore raised.

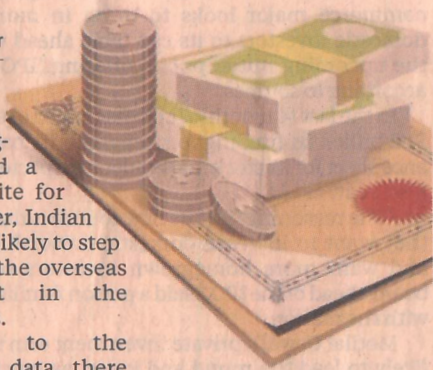
In FY24, Indian companies had 18 issues of ₹45,000 crore. In FY23, there were three, raising ₹15,592 crore.

"With the Federal Reserve (Fed) cutting rates, we can expect an increase in overseas bond issues. Companies are looking to diversify their borrowing sources to prevent upward pressure on spreads in the domestic market. Additionally, hedging costs offered by merchant bankers have become more affordable," said Venkatakrishnan Srinivasan, founder and managing partner, Rockfort Fincap.

"There is strong demand for Indian bonds in the overseas market, driven by the country's robust economic growth. Furthermore, certain sectors, such as renewable energy companies, are facing funding shortages in the domestic bond market and are increasingly turning to the dollar bond market. Additionally, following the Reserve Bank of India (RBI) directive on increasing the risk weightings on bank lending to non-banking financial companies (NBFCs), more NBFCs are exploring the overseas bond market," he said.

Recently, Piramal Capital & Housing Finance raised an additional \$150 million from international capital markets. For the \$150 million tap issue, the final order book received was over \$520 million, depicting about 3.5 times oversubscription. The diversified finance company had previously raised \$300 million in July.

"The market has become a lot more conducive in the past few months. And borrowing has become significantly cheaper. Our bonds are trading today at levels almost 90 basis points lower than where they started trading three months ago," Jairam Sridharan, managing director, Piramal Capital & Housing Finance, had previ-



BOND STORY

Overseas bond issuances by Indian companies

Year	Issues	Amount (₹cr)
2019-20	48	1,35,884
2020-21	17	65,988
2021-22	20	99,172
2022-23	3	15,592
2023-24	18	45,008
2024-25*	36	29,029

*Till Sep 24

Source: Primedatabase

ously said.

Similarly, Shriram Finance last month raised \$500 million from global investors by issuing fixed-rate, senior-secured social-dollar notes at 6.15 per cent. Previously, the firm had raised \$750 million through social bonds in January.

"We don't have any plan to borrow from abroad because it doesn't make sense now. Domestic liquidity is all right," said Umesh Revankar, vice-chairman of Shriram Finance.

State-owned REC raised \$500 million recently through green-dollar bonds. According to reports, Vedanta is also considering tapping the overseas bond market.

"With interest rates softening following the Fed's rate cut and a stable currency, Indian firms are better positioned to price their issues in the overseas bond market. A large capital pool, a growing appetite for high-yield bonds, and the need to diversify funding sources to alleviate pressure on domestic spreads are driving companies to explore overseas bond markets. This trend is likely to intensify," said Ajay Manglunia, fixed income specialist.

Nikhil Aggarwal, founder and group chief executive officer, Grip Invest, said: "The Fed has indicated there will be future cuts and those could drive the growth of this market as the spread widens. It is not yet clear whether the RBI will cut the rates in the current quarter."