



SBI, others are among issuers set to tap the market. ISTOCKPHOTO

# Corporate bond fundraising set to hit new highs

Reuters

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MUMBAI

India's record run in corporate bond issuance is expected to continue through August, as higher-rated companies and banks rush to tap the market for cheaper fundraising, underscoring a broader shift in corporate financing strategies amid declining bond yields and ample liquidity, investors said on Monday. Indian firms are likely to raise at least ₹30,000 crore via bonds over the next three weeks, traders said.

Issuers including Manipal Hospitals, State Bank of India (SBI), IRB Infrastructure Trust, Delhi International Airport, Torrent Investments, Power Grid Corp. and GMR Airports are among those expected to tap the market this month. None of the firms responded to *Reuters'* emails seeking comment.

"We roughly have an average supply of ₹1 trillion per month and we expect this trend to sustain, with fundraising rising to another record this year," said Pranav Haldea, managing director at Prime Database Group. Firms raised ₹4.07 trillion via bonds in April-July, the highest ever for the first four months of a financial year, according to Prime Database, highlighting the growing appeal of the corporate bond market over traditional bank loans amid favourable rate conditions.

Yields on corporate bonds have dropped sharply following the Reserve Bank of India's 100-basis-point rate cut between February and June, coupled with large liquidity infusions, making bond markets more attractive than bank lending, a trend that is expected to persist. "Rate transmission in the bond market is faster as it discounts rate expectations, unlike traditional bank lending," said Vinay Pai, head of fixed income at investment banking firm Equirus Capital.

As per SBI, the incremental share of bank credit in overall resource mobilisation fell to 31.3% in the last financial year and to 22% in April-June, down from 44.6% in FY24.

"There is ample demand from mutual funds, as we are in a lower-for-longer scenario. Demand from mutual funds will continue in the up-to-five-year space, and some funds may also start looking at AA+ and AA-rated papers to play for spread compression," said Anurag Mittal, head of fixed income at UTI Asset Management.