SBI's dollar-bond pricing sets new bar

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State Bank of India's (SBI) successful dollar-bond issue at a relatively low risk premium over the benchmark US yield is expected to encourage more domestic corporates to tap this route to raise funds, experts said.

India's largest lender by assets raised $500 million on Tuesday through five-year senior unsecured fixed-rate notes, carrying a coupon of 4.5% payable semi-annually, according to a stock exchange filing. Given that the five-year US Treasury was at 3.74%, the spread over it would be around 75 basis points.

Citigroup, HSBC, J.P. Morgan, MUFG, SMBC Nikko and Standard Chartered Bank were the joint bookrunners for the transaction. The fundraise follows S&P's upgrade of India's sovereign and SBI's rating from BBB- to BBB.

SBI chairman C.S. Setty said the tight pricing reflects the reduction in the borrowing cost for Indian issuers following the improvement in the credit profile and sovereign rating upgrade.

SBI raised $500 million via five-year dollar bonds at 4.5%, with a 75 bps spread over US Treasuries. REUTERS

"SBI's issuance at just 75 basis points over US Treasuries sets a new yardstick for Indian borrowers in the global markets," said Vineet Agrawal, co-founder of Jiraaf, an online bond platform provider. "This is the tightest spread ever achieved by an Indian issuer, reflecting global investors' trust in the resilience of India's debt markets."

The tight pricing reflects India's sovereign upgrade from BBB- to BBB and improved credit profile of SBI

Data by Prime Database showed that in FY25, Indian companies floated 50 overseas bond issues worth $7.1 billion. In comparison, in FY26 till August, there have been only four such issuances, mobilizing $372 million.

SBI had last tapped the dollar bond market in November 2024. The bank at the time raised $500 million through five-year dollar bonds at a yield of 5.13%, or a spread of 82 bps over the US Treasuries of similar maturity, Reuters reported on Tuesday. It was also the tightest spread achieved by the lender at the time, according to bankers.

"SBI's aggressive pricing achievement could prove to be a turning point," said Venkatakrishnan Srinivasan, founder and managing partner of financial advisory firm Rockfort Fincap LLP. Other large Indian entities especially those with global businesses or natural dollar revenues—may now revisit the offshore market, encouraged by SBI's success.

However, Srinivasan cautioned that international bond markets remain jittery, with emerging market borrowers facing wider spreads amid geopolitical uncertainties, volatile US Treasury yields, and heightened currency risks. "A sustained revival will likely need global volatility to ease and EM spreads to compress."

"Onshore, rising local yields — driven by the RBI's neutral stance, fear of additional government borrowing linked to GST reforms though the yields are coming down slowly, tariff adjustments, and the rupee's weakness—have also made issuers pause before tapping overseas markets," he said.

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