

Corp bond mop-up sees first dip in 4 yrs

CHRISTINA TITUS
& KISHOR KADAM
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FUNDRAISING THROUGH CORPORATE bond issuances, which began FY26 on a strong note with over ₹1 lakh crore being raised in each of the first three months, closed weak, with global and domestic headwinds playing spoilsport.

Data from Prime Database show that corporates raised ₹10.48 lakh crore through bonds in FY26, down 5% — marking the first decline in four years — from ₹11.02 lakh crore in FY25. The total raise fell short of initial expectations of over ₹11 lakh for the fiscal.

Issuers frontloaded record bond issuances of ₹3.45 lakh

WEAK END

Corporate bond issuances

Year	Nos	Amount raised (₹ crore)
FY21	2,688	7,54,494
FY22	2,411	6,45,102
FY23	3,027	8,57,904
FY24	3,584	10,21,989
FY25	3,818	11,01,623
FY26*	3,977	10,48,370

*up to March 30
Source: Prime Database

crore in the first quarter (April–June), taking advantage of falling yields following rate cuts.

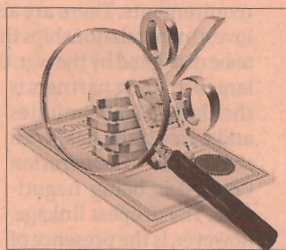
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Corp bond mop-up falls in FY26

HOWEVER, THE YIELDS began rising from June after the Reserve Bank of India's (RBI) 50 bps rate cut and shift to a neutral stance signalled the end of the easing cycle to market participants.

"Higher government borrowing has crowded the market, while FPI outflows and delays in global bond index inclusion have weakened demand. Bank bond issuances have also been relatively lower this year, reducing overall market depth and liquidity support," said Venkatakrisnan Srinivasan, founder and managing partner, Rockfort Fincap LLP.

According to Dhawal Dalal, CIO—fixed income at Edelweiss Mutual Fund, top-rated corporates shifted to cheaper bank loans due to hardened yields. "Amid ongoing global conflicts, credit spreads are widening, and yield curves have steepened, driving a broad hardening of yields. For instance, 2–3 year AAA bonds are currently trading at 7.40–7.50%, compared to 6.70% in October," he said.



The yield on AAA-rated 10-year corporate bonds rose by 68 basis points to 7.88% in FY26, according to Bloomberg. Yields spiked by 46 bps in March alone following the start of the West Asia conflict.

Amid heightened volatility, corporates scaled back issuances due to higher cut-off yields. Major issuers such as the National Bank for Agriculture and Rural Development, the Small Industries Development Bank of India, and REC, among others, withdrew their issuances multiple times during the last two quarters. Global uncertainty made investors cautious, making it difficult to secure funds at favourable pricing.

"Private placement issuances in FY26 undershot initial expectations largely due to a sharp rise in yields, currency volatility, and global risk-off flows, which raised borrowing costs and reduced investor appetite," said Pranav Haldea, managing director, Prime Database Group.

Domestically, weak G-Sec demand-supply dynamics — exacerbated by higher state borrowings — spilled over into the corporate bond market.

Market participants said that borrowing via commercial paper and certificate of deposits has displaced some corporate bond market funding needs.

Going ahead, the trajectory of the corporate bond market will be closely linked to how current macro risks evolve. "In the base case of prolonged geopolitical tensions, this would keep corporate bond issuances subdued, with wider spreads and continued preference for bank funding and short-term instruments," Srinivasan said.