

Liquidity, demand help India Inc raise overseas bonds at lower rates

MANISH M. SUVARNA
Mumbai, January 20

INDIAN COMPANIES HAVE successfully managed issuances of overseas bonds at tighter yields, due to strong demand from foreign investors and good liquidity conditions in the global market. Additionally, effective credit positioning, relative value analysis, and wider investor reach have also helped issuers to achieve a good transaction.

Issuers have tightened the yields by 30 to 35 basis points from initial price guidance since the start of January owing to higher demand from investors and strong financials of the companies. This has happened when investors across the globe are not showing much interest, but given the current strong sentiment on India, which is underpinned by growth prospects as well as ongoing asset rotation out of other emerging markets is helping Indian issuers.

So far in January, Indian companies and banks raised ₹42,178 crore or \$5.7 billion through issuing bonds in the overseas market, according to the data compiled by the Prime database showed. Of

Overseas bonds

Company	Date	\$ million	₹ crore
Reliance Industries	05/01/2022	4,000	29,794
Shriram Transport Finance	11/01/2022	475	3,512
JSW Infrastructure	13/01/2022	400	2,957
Indian Railway Finance Corp	13/01/2022	500	3,697
State Bank Of India	13/01/2022	300	2,218

Source : primedatabase.com

this, Reliance Industries has raised \$4 billion, the highest among others through overseas bonds.

“There have been numerous instances recently where Indian issuers have priced some of the lowest coupons in their credit rating categories when executing dollar bonds. The offshore bond markets are very deep and liquid and investors are hungry for quality papers, be it investment grade or non-investment grade-rated,” said Bhavik Pandya, head of South and South-East Asia DCM, Bank of America.

The overall volume of Indian offshore bonds is significantly lower in percentage terms in Asia-Pacific, compared to the size

of the Indian economy, but the quality Indian issuers will always get a better response from foreign investors.

Market participants expect more issuers to avail the benefits of lower interest rates and strong demand from investors before a hike in the policy rate by central banks and Fed tapering. A rate hike will increase borrowing cost and, hence, issuers are evaluating financing needs, both present and future. “Locking in current low rates especially for longer tenors is a strategy that is likely to pay off very well for issuers who effectively time the market for new issuances now,” Pandya added.