

S&P rating upgrade to boost sluggish overseas borrowing

Changed rating expected to make overseas funding cheaper for Indian borrowers

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The recent sovereign rating upgrade is expected to boost India Inc's overseas bond fund raising, which has been tepid between April 1 and July 31 in the financial year 2025-26 (FY26).

The Indian corporate sector raised only ₹613 crore through overseas bonds, against ₹22,844 crore raised during the same period of FY25, according to data by Prime Database.

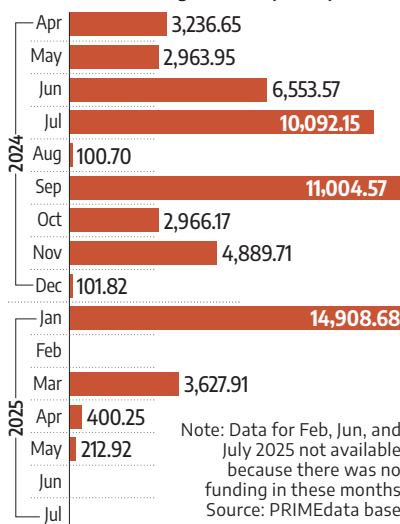
S&P Global Ratings' upgrade of India's sovereign credit rating to "BBB" is expected to make overseas funding cheaper for Indian borrowers, thereby giving a boost to overseas bond issuances, said market participants.

"Ideally, the upgrade should help, though some of it was already factored into spreads. That said, we may see spreads tighten further. With the improved rating, issuers are likely to assess the all-in cost, including hedging. If those numbers work out better, issuance volumes should rise as appetite in the market is always stronger with an enhanced rating," said Ajay Manglunia, executive director at Capri Global Capital Ltd.

On August 14, S&P upgraded India's long-term sovereign credit rating to BBB from BBB-, its first upgrade in nearly two decades. S&P cited India's strong growth momentum and steady

In slow lane

Overseas borrowing via debt (in ₹ cr)



fiscal consolidation, supported by ongoing structural reforms, as key reasons behind the upgrade decision.

It also commended on the Reserve Bank of India's (RBI's) monetary policy framework for keeping inflation expectations in check while highlighting the government's focus on higher-quality spending, particularly in infrastructure and capital investments. In a further sign of improved external resilience, S&P raised India's transfer and convertibility assessment to "A-".

Market participants said that overseas borrowing could become cheaper by around 15-25 basis points (bps) for top-rated

companies. Cautious global investor sentiment, weighed down by geopolitical tensions and policy uncertainties, has curtailed appetite for emerging-market debt this financial year. At the same time, ample domestic liquidity and comparatively attractive local interest rates have offered companies cheaper funding alternatives at home, lessening the urgency to raise capital from offshore markets.

"With borrowing costs set to decline by around 20-25 bps, and investor sentiment improving, a revival in external corporate debt issuance appears likely. There was an initial hesitation

among Indian firms to tap international markets due to global as well as domestic uncertainties," said a dealer at a state-owned bank. "The hedging cost had gone up due to the rise in US yields, and domestic borrowing was comparatively cheaper," he added.

In FY24 and FY25, Indian corporates actively tapped global markets to raise funds as international liquidity remained supportive and domestic demand alone could not meet funding needs. In the previous financial year, overseas borrowings stood at ₹60,445 crore due to steady demand for offshore capital despite global headwinds.

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