

Indian firms raise record debt in 2024

Reuters

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Indian companies' fundraising through corporate bonds hit a record high in 2024, aided by declining yields and stronger appetite for long-term notes, and investors expect issuances to remain robust in 2025.

Indian firms raised ₹10.67 trillion (\$124.81 billion) through the sale of bonds till 27 December, a 9% jump over 2023, data from information provider Prime Database showed.

"Fundraising has seen a boost with corporates seeing a

need to diversify, and bank lending seeing some moderation with slower deposit growth," said Vinay Pai, head of fixed income at investment banking firm Equirus.

With nominal growth of the Indian economy expected to remain between 10%-12%, credit should also grow at more than 12% and the demand could be split between banks and bond markets, he said.

"The rise in issuance is likely to be absorbed easily, driven by

rising investor demand following Indian government bonds' inclusion in multiple global bond indexes - freeing up more opportunities for domestic

investors," said Suresh Darak, founder of Bondbazaar, an online trading platform.

Yields on corporate bonds fell between 25 and 50 basis points this year, tracking government bond

yields.

The Reserve Bank of India (RBI) is expected to start lowering rates from February and is

likely to cut by at least 50 bps in the first half of 2025, which would further push yields down. Lower lending from banks will see companies making a beeline to borrow funds from corporate bond market in 2025. Banks are cutting credit growth to assuage the central bank's concerns over the widening credit-deposit gap, said an executive director with a state-run bank, requesting anonymity.

Bank of Baroda in October reduced its credit and deposit growth guidance for fiscal year 2025, while State Bank of India lowered its deposit growth forecast last month.

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