

Economy

India Inc's overseas borrowings back on track

NARAYANAN V Chennai | Updated on January 11, 2021 | Published on January 11, 2021



Beats lockdown blues to raise ECBs of \$36 b in 2020 up to Nov

Overseas fund-raising by India Inc is gathering momentum from the lows during the lockdown period. According to RBI data, corporates external commercial borrowings (ECBs) touched \$36 billion till November 2020. This is the second highest inflow of offshore loans in a calendar year. Indian corporates raised a record \$51 billion during CY2019.

Of the total ECBs raised between January and November 2020, over 50 per cent came during the first three months. The monthly borrowing dropped to a multi-year low of \$0.9 billion in April when the pandemic-led lockdown brought both economic and lending activities to a standstill. It then improved to reach \$2.14 billion in July and touched \$5.22 billion in September, primarily driven by a slew of fund-raising by Reliance Industries.

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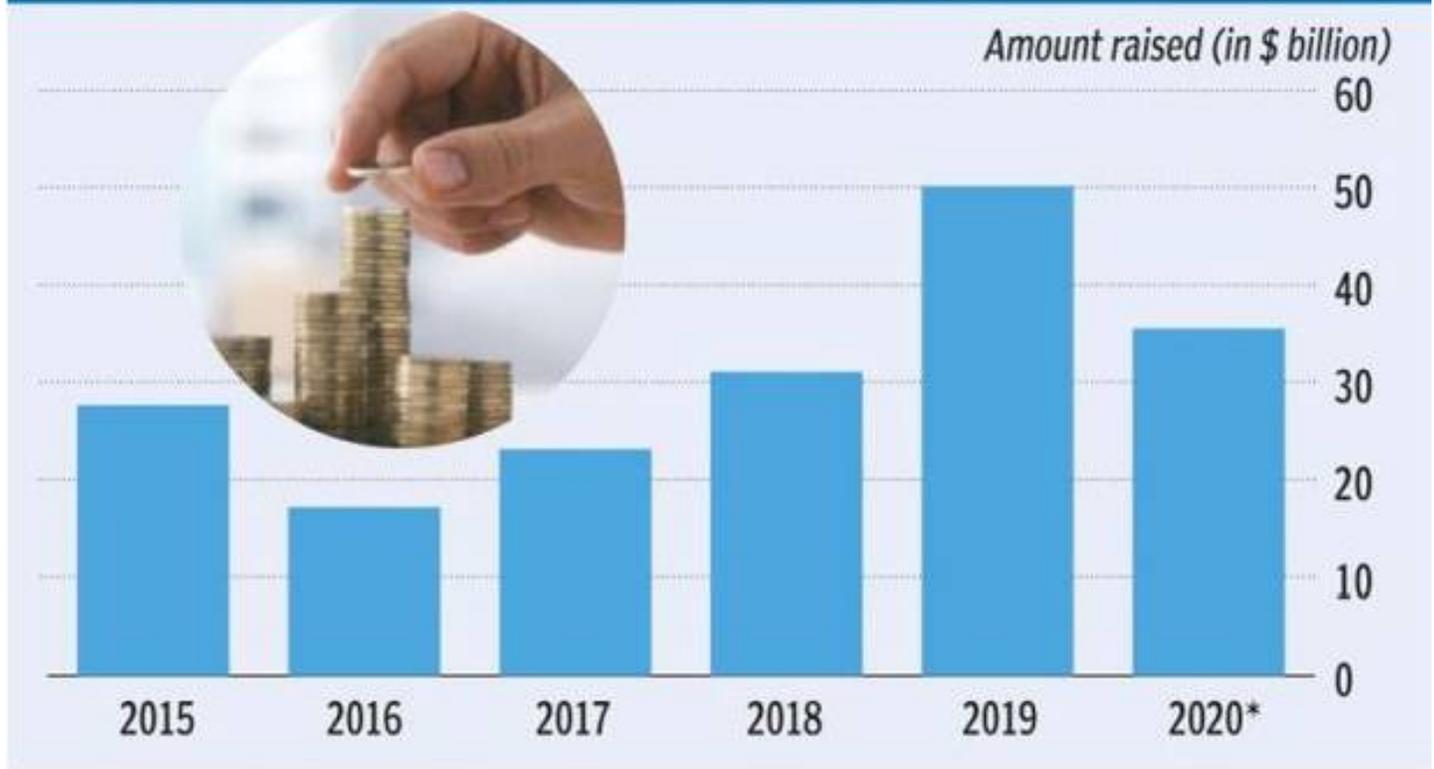


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External commercial borrowings of India Inc



*upto November Source : RBI

The average monthly borrowings hit \$2-billion levels in October and November. In its recent report on 'Global Currency Movement in 2020 and Outlook for 2021', CARE Ratings said, "Capital flows are presently buoyant as ECBs are attractive and FDI continues to flow. This will persist. Foreign Portfolio Investors (FPIs) are, however, going to be unknown and while the flows into equities have been high in 2020 in almost all markets, their sustenance will depend on opportunities in the western nations."

Non-banking financial companies, which typically account for a major share of borrowings, topped the list this time, too. However, the quantum of their borrowings dropped sharply compared to the previous

years. NBFCs raised \$8.61 billion between January and November 2020. In contrast, their borrowings stood around \$30.42 billion during the same period in 2019.

Muted credit demand, surplus liquidity and low interest rates in the domestic market besides a fall in fresh disbursements are some of the reasons for the lower NBFC borrowing. In its bank credit profile report for November 2020, CARE Ratings said that NBFCs registered the lowest growth in the last three years.

Signs of revival

In its monthly report on the overall economy and key sectors, Brickwork Ratings said borrowing through ECBs is expected to rise, going forward, as greenshoots of economic growth are visible on the revival of corporate activities, production and demand.

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