

Billionaires Brave Rupee Drop to Extend Record Dollar Loan Spree

by **Anurag Joshi**

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- India syndicated loans \$21.9 billion in 2016, set for record
 - Companies 'more concerned about rising U.S. yields than rupee'
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India's billionaires are braving a slumping rupee to borrow from the international loan markets before the U.S. Federal Reserve resumes interest-rate increases.

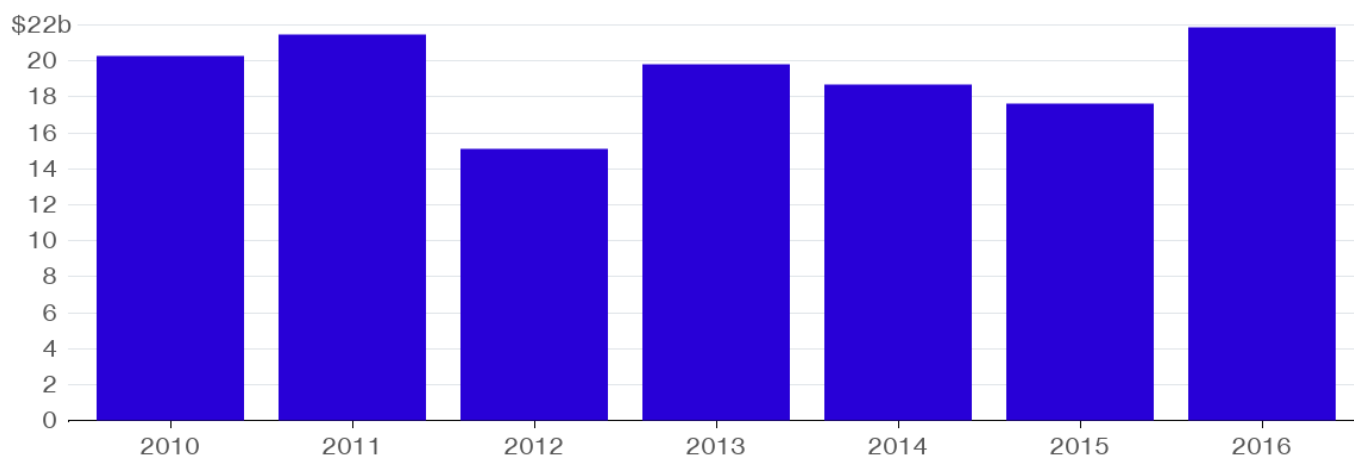
Mukesh Ambani's Reliance Industries Ltd. is about to mandate 15 banks for a \$1.75 billion loan, people familiar with the matter, who asked not to be identified, said Nov. 23. Novelis Inc., the U.S. unit of Kumar Mangalam Birla's flagship Hindalco Industries Ltd., has sounded out banks for a refinancing of about \$1.8 billion, separate people familiar said Nov. 21. Dollar-denominated syndicated loans from local borrowers surged 25 percent to \$21.9 billion so far in 2016, on course for a record year, data compiled by Bloomberg show.

Indian companies have been taking advantage of their cheapest overseas borrowing costs in almost a decade, amid rising confidence in the world's fastest-growing major economy. With the rupee weakening 2.5 percent this month while sinking to a [record low](#), businesses focused on domestic markets may start to prefer local financing "insulated from currency risks," according to FirstRand Ltd. But multinational business groups will focus more on global funding costs, the bank said.

"Those corporates raising funds abroad would be more concerned about rising U.S. yields than the rupee's fall," said Harihar Krishnamoorthy, Mumbai-based treasurer at the local unit of the South African lender. "They would rush to borrow before dollar yields rise significantly on the back of a resurgent U.S. economy."

Indian Dollar Loans Set for Record in 2016

Reliance, Novelis plan overseas borrowings ahead of Fed meeting



Source: Data compiled by Bloomberg

Bloomberg

Both Ambani's Reliance and Birla's Aditya Birla Group are refinancing overseas debt for the second time in 2016, according to data compiled by Bloomberg. Reliance's spokesman Tushar Pania didn't reply to an e-mail seeking comment. Pragnya Ram, a spokeswoman at Aditya Birla, declined to comment.

The rupee's plunge comes at a time when investor confidence had been growing as policy makers narrowed the current-account deficit, overhauled bankruptcy rules, tamed inflation and built a war chest of foreign-exchange reserves. Average margins for Indian borrowers over the London interbank offered rate, or Libor, are at 198 basis points this year, the lowest since 2007, according to data compiled by Bloomberg.

"Spreads for dollar debt are attractive for companies at the moment," said Sidharth Rath, group executive for corporate and transaction banking at Axis Bank Ltd., the second-largest arranger for Indian international loans in 2016. In coming months, he said, "Libor should start going up as further rate increases after Fed's December meeting are getting factored in."

The rupee weakened to an all-time low of 68.8650 per dollar on Nov. 24, as outflows from local assets accelerated amid rising odds for a rate increase when the Fed meets mid-December. The currency rose 0.4 percent to close at 68.4675 on Friday, ending a five-day declining streak.

Average yields on U.S. dollar debt of local issuers touched 4.55 percent this week, the highest since June, according to JPMorgan Chase & Co. indexes. By contrast, yields on five-year rupee bonds of top-rated local companies touched 7 percent, the lowest since 2005, according to data compiled by Bloomberg.

"The factor to consider is the exchange-rate risk," according to Rajesh Mokashi, managing director at Care Ratings Ltd. in Mumbai. "The rupee's drop will be the driving factor in a situation where domestic rates are declining and overseas rates rising."

Bangalore-based Canara Bank Ltd. deferred a planned dollar bond sale, people familiar with the matter said Nov. 21. A bank spokesman didn't respond to an e-mail query regarding the offer.

"Only a few top companies such as Reliance Industries can go to the dollar loan markets at this stage," said Prabal Banerjee, chief financial officer in Mumbai at conglomerate Bajaj Group, predicting Fed rate increases at each of the next two meetings.

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