

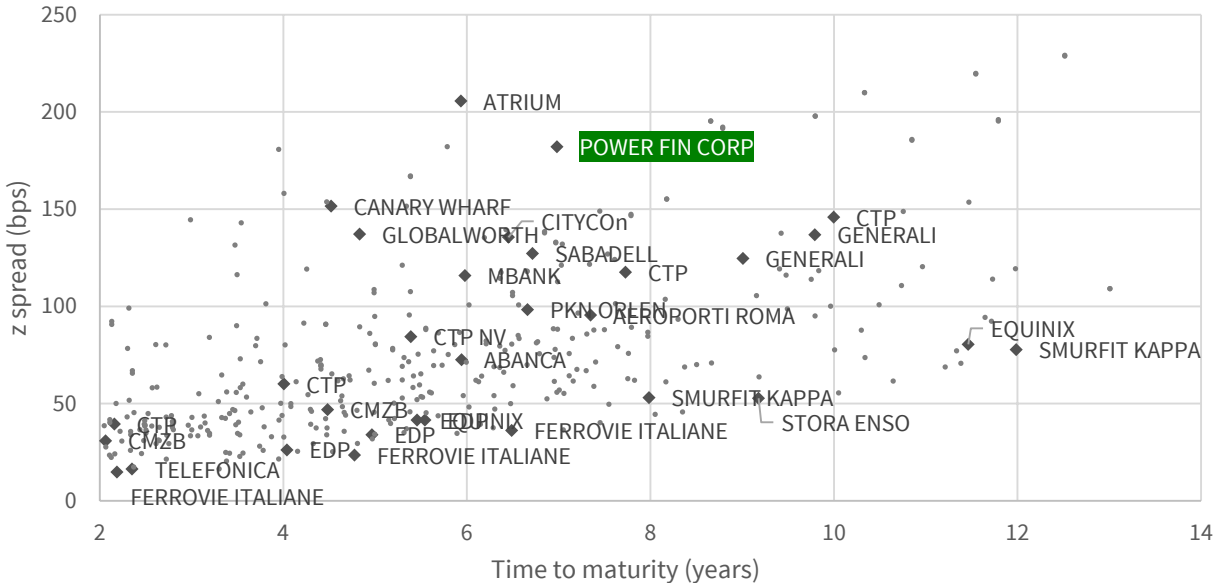
Market opportunity: Indian (green) bond issuance in EUR

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A recent green bond issuance on behalf of Power Finance Corp highlights a great opportunity for Indian corporations to issue in EUR currency, and for EUR investors to – when more supply comes – take positive exposure to a key geography for global climate change and the energy transition. The bond, POWFIN 1.841 09/28 (ISIN XS2384373341, €300mn), was issued in mid-September and is only the second domestic Indian issuer bond having been issued in EUR in modern times.¹ It priced as ms+200 and is trading at z+182 (yield 1.76%) at the time of writing; as a market indication, Xover widened ~2bp during the same time. Even after having tightened that significantly in the secondary market, the bonds still trade relatively wide to many other issues in the same rating category, Figure 1 (note that POWFIN is on Negative outlook).

Reviewing other issuers in the green segment and same rating category, we see a high concentration in the real-estate sector, which should mean decent diversification benefits from non-real-estate based issues such as POWFIN. Demand for green funding in India meeting the pent-up demand for higher-yielding paper in the EUR green bond market sounds like a potential blockbuster.

Figure 1. BBB- rated bonds in EUR (excluding hybrids, <2yrs maturity and ultra long-ends). Green bonds in diamonds and annotated. Other bonds as grey dots. Pricing as of 30 Sep 2021. Source: AFII, Bloomberg.



¹ The other EUR>100mn bond outstanding is NTPCIN 2.75 02/27 (ISIN XS1551677260), BBB- Neg, z+152. NTPC as POWFIN are government owned, but not guaranteed.

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