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RBI Grants Waiver to Shapoorji Pallonji, Preventing Costly Interest Hike on \$3.4 Billion Bond

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The Reserve Bank of India (RBI) has granted a crucial waiver to the Shapoorji Pallonji Group, offering relief from immediate regulatory requirements and helping the conglomerate avoid a steep interest rate hike on a major private credit deal.

The waiver gives the group's lending arm, Sterling Investment Corp., three additional years to meet RBI's capital adequacy norms. This move prevents a possible 200 basis point increase in interest on a \$3.4 billion zero-coupon bond issued in May, which had been structured with stringent conditions.

Sterling Investment had raised the funds by pledging a 9.2 percent stake in Tata Sons Pvt. as collateral. Under the terms of the bond, any failure to meet RBI's capital requirements by September 2025 could have forced the group to inject ₹6,000 crore in fresh capital or face a rise in borrowing costs. If over half of the bondholders triggered the clause, the interest rate would have increased significantly, putting the group at risk of technical default.

With the RBI's waiver, the compliance deadline has now been extended to mid-2028. This decision stabilizes the current interest rate at 19.75 percent and avoids triggering default terms. The extension is seen as critical for Shapoorji Pallonji's liquidity and overall financial health.

The bond deal, the largest of its kind in India, was arranged by Deutsche Bank and attracted investments from global firms such as Ares, Cerberus, Davidson Kempner, and Farallon Capital Management. The high-yield structure and strict conditions reflect lender caution about the group's financial position.

Analysts believe the RBI's move offers much-needed breathing room and prevents disruption in India's growing private credit market. It also signals regulatory flexibility in managing large corporate borrowings under tight financial conditions.

By securing this waiver, Shapoorji Pallonji can now focus on long-term financial planning without facing immediate refinancing pressure or the risk of an interest rate spike.