

With HDFC's exit, wholesale NBFCs may spread wings in debt market

13 NBFCs raised ₹12,551 cr in July so far

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The merger of Housing Development Finance Corporation (HDFC) with HDFC Bank on July 1 has created an opportunity for non-banking financial companies (NBFCs), which focus on wholesale lending, to tap the corporate bond market.

HDFC was a major player in that segment and often left little for other players with its large borrowing requirement. Between July 1 and July 13, NBFCs raised around ₹12,251 crore by issuing debt, according to capital markets data provider Prime Database. Most deals were executed in the second week of the month.

Market participants said the appetite of wholesale NBFCs would gradually improve, leading to an increase in their issuance size.

"The rates are not expected to come down any time soon, but the wholesale NBFCs which were not able to raise funds earlier might come to the market now," said Venkatakrisnan Srinivasan, a bond market veteran and founder, Rockfort Fincap. "In terms of quantum, the appetite of higher-rated NBFCs might improve going forward and lower credit rated NBFCs will continue to look for opportunities".

HDFC raised a substantial amount of funds through multiple bond issuances in the financial year ended March 31, 2023 (FY23) and in the current year, leaving limited opportunities for investors to invest in other non-bank lender securities. The merged entity will not require to tap corporate bond markets as banks have access to deposits.

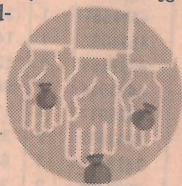
The mortgage financier raised ₹78, 414 crore through 11 bond issuances in 2022-23 and ₹42,427 crore through six bonds this financial year ahead of the merger, according to data by National Securities Depository Ltd. In 2023, HDFC raised ₹74,062 crore in the debt market, according to Prime Database.

"The bonds of HDFC will be traded as NBFC bonds—the reason why people may not have much appetite for NBFCs," an analyst at a brokerage firm said on the con-

dition of anonymity. "But when HDFC Ltd's bonds mature gradually, then there will be an appetite for NBFCs."

Historically, NBFCs have found it challenging to borrow significant amounts through bond issuances, making them more reliant on bank loans.

Due to robust credit growth and the need to refinance previous debt, NBFCs may have to offer higher rates to raise funds.



Merged HDFC entity won't require to tap corporate bond markets as banks have access to deposits