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LIC Housing Finance plans to raise Rs 1,000 crore

By [Shilpy Sinha](#), | Updated: Sep 07, 2016, 08.46 AM IST

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MUMBAI: [LIC Housing Finance](#) plans to raise Rs 1,000 crore by selling the so-called masala bonds in the international market. The company will seek to emulate the success of rival HDFC, which has raised Rs 4,500 crore in three tranches of such bonds since July this year. A masala bond is a rupee-denominated bond sold overseas.

The bond issue will help [LIC Housing](#) diversify its borrowing profile and attract a global pool of capital.

"We are looking to raise `1,000 crore through masala bonds in the coming few months," said a senior executive of the company, who did not wish to be named.

HDFC was the first Indian company to issue rupee-denominated bonds overseas. The listing of its bonds has opened the rupee-denominated bond market on the London Stock Exchange and encouraged several housing finance companies back home to explore this route to raise funds. These include [Dewan Housing Finance](#), which recently said it would like to test the masala bond market. Issuers are trying to take the benefit of a stable rupee and low interest rates in the overseas market. Banks offer loans at the marginal cost of funds-based lending rate (MCLR), which is set at around 9.01% for one year. HDFC had raised funds at a semi-annual coupon of 7.5-7.87%.

"The coupon at sub-8%, and with no currency risk for the issuer, makes it an interesting and cheaper opportunity for raising resources," said Ashutosh Khajuria, executive director at [Federal Bank](#). "There are other minor costs hidden like stamp duty and rating by an international rating firm." The company's rating in the international market is dependent on the country's rating. Country rating is the cap for long-term rating. For five years and above, the paper is rated as per the country rating. Shorter tenor papers could be rated above the country rating.

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