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NBFCs aim to tap overseas loan market raising $200-400 million each

BY SAIKAT DAS, ET BUREAU | APR 30, 2019, 11.52 PM IST

Non-banking finance companies including Piramal Capital Housing, Bajaj Finance, Hero FinCorp, L&T Finance, Tata Financial Services, and IIFL Finance are now going beyond bonds to seek loans from overseas banks in the form of External Commercial Borrowing (ECBs).

While they are willing to be exposed to currency risks partly, they want to diversify their funding pattern. Each company aims to raise about $200-400 million in the next few weeks, multiple people with the direct knowledge of the matter told ET. IIFL Finance may raise up to $500 million.

Companies are in the process of raising such money. Maturities of such loans are likely to be in the range of three to five years. Most issuances are likely to take place after India's general election results amid expectations of a stable government.

L&T Finance, Piramal Capital Housing, Bajaj Finance declined to comment on the matter. An email sent to Hero FinCorp remained unanswered.

"We will continue to diversify our borrowings further across various sources such as banks, ECBs, bond market, among others," said Rajiv Sabharwal, managing director and CEO at Tata Capital. "Diversification of liabilities has always been our philosophy at Tata Capital and should be a standard practice for all NBFCs."

"Non-banking financial entities with a strong parentage will get an edge over others for overseas fund raising," he said. In terms of funding costs, it may be on par or even slightly higher than domestic borrowings, although it depends on individual company brands and loan exposures in home loans and builders' loans.

"Investors have their own perception of individual companies as they value them differently," said one of the persons cited above.

L&T Finance loans are estimated to be priced after adding 160-170 basis points (known as spread in market parlance) over the six-month London Inter-bank Offered Rate (LIBOR), the benchmark against which such offshore loans are priced. Hero FinCorp may have to pay a higher spread in the range of 240-250 basis points.

Such spreads may go up as much as 350 basis points for Piramal Capital & Housing Finance, dealers said. Tata Financial Services may obtain a spread of 175-200 basis points over the benchmark rate. Investment bankers including Standard Chartered Bank, JP Morgan and Barclays are said to be helping these companies to raise the money. Individual banks could not be contacted immediately for comment.

Road shows have also begun. Such syndications should be materialised over the next four-six weeks, bankers said.

All these companies are already in the fray to sell dollar-denominated bonds to overseas investors.

Shriram Transport Finance has already hit the market raising nearly $1 billion via two tranches.