NBFCs raise over ₹3 trn in H1FY25 via domestic debt

Sep fundraise highest in current FY

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Funds raised by non-banking financial companies (NBFCs), including state-owned finance companies and refinance institutions, from the domestic debt capital market exceeded ₹3.2 trillion in the April to September period of financial year 2025 (H1FY25).

Out of the total funds, over ₹74,507 crore were raised in September alone, marking the highest amount in the current financial year and second highest in the calendar year.

According to Primedatabase, in H1FY25, funds raised by NBFCs from debt capital markets totaled to ₹3.23 trillion, up 3.11 per cent Y-o-Y during the same period last year. In 2024 so far (upto September), this number adds up to ₹5.09 trillion, up almost 4 per cent Y-o-Y.

Meanwhile, funds raised by private sector NBFCs in H1FY25 totaled to ₹1.91 trillion, which is almost similar to the amount raised during the same period last year. However, in FY24, erstwhile HDFC Limited raised substantial funds of ₹44, 427 crore just before it got merged with HDFC Bank on July 1.

Excluding the impact of HDFC Limited, funds raised by private sector NBFCs in Q2FY25 is up 59 per cent Y-o-Y to ₹1.04 trillion from ₹65,684 crore, data shows.

NBFCs are increasingly looking towards the domestic debt capital market to raise funds as bank funding to them has slowed down, following the RBI increasing risk weights on bank lending to NBFCs. The increasing dependence of NBFCs on bank funding triggered regulatory concerns. And, consequently, to address the concerns, the RBI, in November 2023, tightened lending norms by increasing risk weights for bank lending to NBFCs.

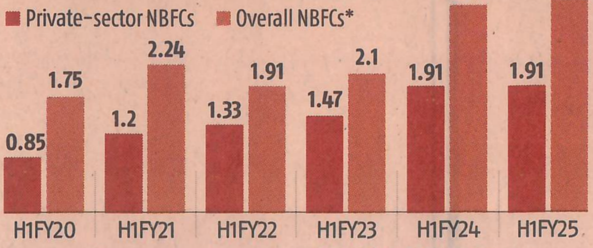
When RBI increases risk weights and when it leans on banks to be moderate about their exposure to NBFCs, it does put pressure on NBFCs from a borrowing standpoint, said a private sector NBFC CEO. "Because of that, NBFCs' cost of borrowings tend to rise. Or any reduction in cost of borrowing that you might have been expecting gets pushed out, which is what we are seeing in the market today," he added.

NBFCs with better ratings have tapped the debt capital markets and raised funds through bonds and commercial papers, while few have also taken the international route and tapped the overseas bond market to raise substantial amounts. Additionally, many have also utilised the securitisation market to raise money to fund their growth.

"NBFCs have resorted to greater mobilisation of resources from the market in the wake of the November 2023 measures...," the RBI said in its monetary policy report, adding that the growth in bank credit to NBFCs moderated to 12.2 per cent, bringing down its share to 26.9 per cent of incremental credit extended to services.

ON THE RISE

NBFC fundraise via bonds (₹trn)



*Includes PSU finance companies, private-sector NBFCs, and refinance institutions like Sidbi, Nabard and NHB

Source: Primedatabase