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LARGE BROKERS buy these NCDs, mark them up and sell them to retail investors

Building a Bond Kitty? Privately-placed NBFC Papers Worth a Look

For the Order Book

Top-Rated NCDs in the Market

Issuer	Yield %	Maturity	Rating
Fullerton India	8.27	13-Oct-25	CARE AAA
L&T Finance	7.82	1-Mar-28	CARE AAA
Jamnagar Utilities and Power	7.52	29-Sep-26	Crisil AAA
Spandana Sphoorty	11.76	1-Mar-24	Ind A
U Gro Capital	10.62	8-Mar-26	Crisil A
IndoStar Capital Finance	10.46	21-Mar-25	Crisil AA

Source: GoldenPi

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Mumbai: High-yielding bonds are now increasingly featuring in the shopping baskets of retail savers after the budget removed indexation benefits on debt held beyond three years.

As credit demand mounts, non-bank lenders are raising money through the private placement market. NBFC bonds are initially privately placed and bought by large brokers, who sell them to retail savers down the chain.

A relatively under-populated corporate fixed deposit space and the absence of non-convertible debenture issuance in the primary market have prompted retail savers to look at these products in the private placement market. Investors looking to build a bond portfolio buy a mix of bonds with their core portfolio in high-rated AAA bonds and some satellite allocation to lower-rated bonds.

Retail investors buy bonds typically of NBFCs through large brokerage houses or retail websites like Bondsindia, Golden Pi, Indiabonds, Wint Wealth and several others depending on their requirements and needs.

Bonds issued under private placement now have a face value of ₹1 lakh, compared with ₹10 lakh a year ago, attracting more investors. Bonds of HDFC, LIC Housing Finance, Shriram Finance, and many other NBFCs are available in the market. While a bond of HDFC will earn 7.5-8%, a bond of U Gro Capital that has a lower rating maturing in March 2026 could earn yields of 10.8%.

"Depending on the rating of the paper, investors can earn as much as 50-300 basis points higher than prevailing rates of bank deposits," said Ankit Gupta, founder of Bondsindia.com, a retail website selling bonds.

Some websites are witnessing higher demand from investors for lower-rated products with higher returns. "Retail investors want a risk premium for their investments and are generally looking for slightly higher returns than small finance banks FDs," said Ajinkya Kulkarni, cofounder and CEO of Wint Wealth.

Wint Wealth offers bonds of Capsave Finance, rated A by Crisil, a Mumbai-based NBFC engaged in the business of equipment leasing & financing and supply chain financing. The bonds mature in June 2024 and offer returns of 9.9%.

The private placement route has picked up in recent times as corporates do not have distribution expenses.

"Making a private placement for corporates is more cost-effective and fast," said Vikram Dalal, managing director of Synergee Capital.

Typically, an NBFC makes a private placement where a maximum of 200 investors, including institutions, brokers and family offices, can participate. Depending on the interest rate, a broker takes on bonds in his books.

Once he has the bonds, he marks them up and sells them to retail investors, earning a spread in the process.

"Dealers are comfortable holding these bonds in their books and slowly selling them off to retail investors," said Ajay Manglunia, Managing Director (Fixed Income) at JM Financial.