

Co seeks to raise up to ₹600 cr; offers 9.5% for 18-m NCD and 9.75% for 27-m

Risk-tolerant Investors can Look at Navi NCDs

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Mumbai: Fixed income investors with higher appetite for risk could consider the non-convertible debenture (NCD) issue of Navi FinServ. Financial planners said investors must, however, restrict their exposure to the paper as it does not enjoy top-notch credit rating.

The NCD issue is open for subscription and closes on June 10, with an option to close early in the event of over-subscription. There are two tenures — 18 months and 27

months with the option to receive monthly or annual interest. The company will raise up to ₹600 crore in this issue.

The Navi Finserv NCD will return 9.5% annually for an 18 month NCD and 9.75% annually for 27 months, respectively. If investors opt for the monthly option they will earn 9.2% and 9.4%, respectively. This is 400-450 basis points higher than a bank deposit of a similar tenure.

Currently, fixed deposit of HDFC Bank of up to two years pays 5.1%, while Bajaj Finance pays 5.75-6.4% per annum.

Financial planners believe investors should opt for the 18 month tenure. "Considering that we are in a rising interest rate cycle and the difference in return between 18 months and 27 months is only 35 basis points, investors would be better off investing in the 18 month paper," says Ankit Gupta, founder, bondsindia.com.

"Given the risks involved in a single company, investors should allocate only 5-10% of their portfolio to this NCD."

Retail investors are attracted

to the issue because there is an opportunity to earn higher interest than fixed deposits. Also, since NCDs are listed on the stock exchange, there is no tax deduction at source (TDS) since they are held in demat form.

"Attractive rates, low tenure, strong promoter background and the presence of the company in high growth areas like home loans, personal loans, microfinance along with diverse borrowing profile and robust collection mechanism makes this a attractive proposition," says Ajay Manglunia, managing director, JM Financial.

