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Sundaram BNP Paribas plans to raise ₹2,000 crore through debt funding

To meet demand, company to borrow ₹500 crore more than decided earlier

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Srinivas Acharya.

Sundaram BNP Paribas Home Finance Ltd. is looking to raise ₹2,000 crore in debt funding before the fiscal ends in March. This is ₹500 crore higher than originally planned — a proposal it had spelt out in mid-October. “We had originally planned to raise to ₹1,500 crore through a mix of various funding instruments, but with the additional growth that we are now seeing, it is likely we will be raising ₹2,000 crore,” said Srinivas Acharya, MD, Sundaram BNP Paribas.

The home finance arm of Sundaram Finance has also seen a rise in disbursements in the Chennai market. “Chennai used to contribute to

18% of our business. It had fallen to 11-12% but is now back up again at 18%.”

Mr. Acharya also said that unsold inventory across metros was seeing a decline, meaning that more ready-to-move-in homes were being sold. “An unintended, positive consequence of the GST is that projects completed before the regime kicked in are beginning to see buyer interest.” GST is not applicable to property completed before the regime started in July, but has remained unsold.

Unsold inventory

As per a report by Anarock Property Consultants, unsold inventory declined by 21%, 20% and 15% in Hyderabad, Chennai and Bengaluru by the end of September 2017. Sales of second-hand homes is also seeing a rise, Mr. Acharya said, as GST is not applicable to such sales.

In the eight months in 2017, Sundaram BNP Paribas has seen 16.5% of disbursements as loans to second-hand home sales, compared with 11-12% in the same period of the previous year.

The company had earlier said that it would focus less on loans against property. Responding to a query on the issue, Mr. Acharya said, “loans against property either go towards working capital in the case of commercial borrowers or for personal expenses at the retail level. There is no value creation in terms of home assets.”