

Liquidity situation faces ₹1.52 L cr maturity test

About Rs 16,000 crore, or 10%, of commercial papers to mature today

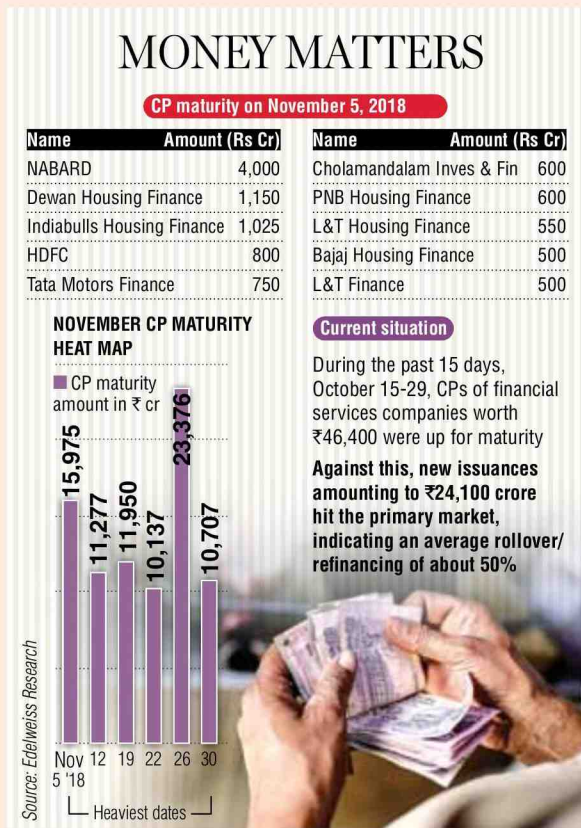
Kumar Shankar Roy
correspondent@dnaindia.net

Mumbai: A raft of liquidity measures unveiled by the government and Reserve Bank of India (RBI) recently will soon face a stress test.

In one of the most challenging months in recent times, commercial papers worth Rs 1.52 lakh crore from financial companies are set to mature in November with more than 10% of the chunk slated for today. This one month alone will see almost 55% of the outstanding CPs slated for maturity, making it very important to track and monitor.

Liquidity is a critical indicator of banking, financial services and insurance (BFSI) sector's performance over the next few months. The current tightness in liquidity and systemic risk aversion, triggered by IL&FS's default, and outflows from debt mutual funds, have big implications for non-banking financial companies (NBFCs), which will be in a deep soup if they are unable to properly anticipate funding supply challenges, said market experts.

Commercial paper (CP) is an unsecured money market instrument, with a maturity period of between seven and 365 days. To shore up funding



for growth, NBFCs and housing finance companies (HFCs) have come to heavily rely on CPs. In fact, reliance on this instrument has risen more than fourfold for NBFCs (to Rs 1.7 lakh crore) and

panies will see CPs worth nearly Rs 16,000 crore maturing. The biggest include Dewan Housing Finance (Rs 1,150 crore), Indiabulls Housing Finance (Rs 1,025 crore), HDFC (Rs 800 crore), Tata Motors Finance (Rs 750 crore), Cholamandalam Investment & Finance (Rs 600 crore), PNB Housing Finance (Rs 600 crore) and L&T Housing Finance (Rs 550 crore), according to Edelweiss Research data.

During the past 15 days, October 15-29, CPs of financial services companies worth ₹46,400 were up for maturity

Against this, new issuances amounting to ₹24,100 crore hit the primary market, indicating an average rollover/refinancing of about 50%



almost tenfold for HFCs (to Rs 1 lakh crore). Out of this, 90-95% are due for repricing in the next few months.

Today, November 5, will be a big day for CP maturity as close to 40 financial com-

The total Rs 1.52 lakh crore figure for CP maturity may indicate Rs 5,000 crore each day on an average, but there are more days like November 5 when quite a high number of maturities are slated to take place. While November 1 and 2 were scheduled for Rs 6,000-8,000 crore CP maturities each day, November 12, 19, 26 and 30 each will see between Rs 10,000 crore to Rs 23,000 crore worth of CP maturities. In December 2018, CP maturities worth over Rs 75,000 crore are scheduled, taking the total figure for November-December 2018 to well over Rs 2.2 lakh crore.

A bigger concern lately has been the liquidity shortage in the NBFC sector on rising markets-based borrowing costs and liquidity in the system moving from benign to tight.