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Loan limit for debt recovery for NBFCs with Rs 100 cr asset size lowered to Rs 20 lakh

NEW DELHI, PTI

The government on Monday announced lowering the loan amount eligible under the SARFAESI Act for recovery to Rs 20 lakh from Rs 50 lakh for certain NBFCs, a move which, industry players said, would help strengthen the sector and recover dues.

This will not only bring credit discipline but will also protect the interest of small borrowers, Finance Minister Nirmala Sitharaman said while presenting the Union Budget for 2021-22 in Parliament.

For NBFCs with minimum asset size of Rs 100 crores, the minimum loan size eligible for debt recovery under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 is proposed to be reduced from the existing level of Rs 50 lakh to Rs 20 lakh, the finance minister said.

Welcoming Sitharaman's



announcement, V P Nandakumar, MD & CEO, Manappuram Finance, said it will help in strengthening the NBFC sector by improving credit discipline among borrowers.

“Relaxation in the threshold under the SARFEASI Act to facilitate recovery from the stressed book,” said Karthik Srinivasan, Senior Vice President, Group Head - Financial Sector Ratings, ICRA.

Rajesh Sharma, Managing Director, Capri Global Capital said reduction in loan limit from Rs 5 million (Rs 50 lakh) to Rs 2 million (Rs 20 lakh) under the SARFAESI act for

NBFCs, with a minimum asset size of Rs 100 crore and above, would mean that debt recovery can enforce the security interest for lower ticket size loans. “This will help the NBFCs to improve their ability to recover smaller loans and strengthen the overall financial health,” Sharma said.

Voicing similar opinion, Brickwork Ratings Senior Director Anil Patwardhan said this will enable speedy debt recovery especially in the current environment where they are facing stress on asset quality due to the impact of Covid-19 pandemic.