

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

New Delhi, Feb 1 (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.

Among others, NBFC players said the budget has been growth oriented as government has announced various measures to boost sectors such as housing, MSMEs, banking, agriculture etc that will help achieve India's Aatmanirbhar or the self reliance goal amidst the severe blow to the economy due to coronavirus pandemic.

"The Budget has clearly kept the focus on boosting economic growth. Emphasizing to make India self-reliant and strengthen the country's position in the global economic landscape, the honorable Finance Minister has given systematic importance to the NBFC sector through a slew of measures that will ease the lending business," Sharma of Capri Global said.

Towards Housing for All, Sitharaman announced to extend by one year (March 31, 2022) the facility of additional deduction of interest of Rs 1.5 lakh for loans taken for the purchase of an affordable house.

In the July 2019 budget, presented after the general elections, government had provided the additional deduction of interest amounting to Rs 1.5 lakh for affordable housing loan.

"Extending taxation benefits by one more year to both affordable housing buyers and developers is expected to benefit the housing finance companies and the NBFCs lending to the real estate sector," **Patwardhan** said.

Y Viswanatha Gowd, CEO of LIC HFL said: "The FM has made a bold attempt to boost Indian economy post the pandemic hit...the affordable housing will get necessary boost through tax incentives. The tax exemption announced for affordable housing for migrant workers and deduction on payment of interests which has been extended by 1 year are welcome."

Muthoot Finance, which is mainly a gold loan financier, said the 2021-22 budget has laid clear emphasis on economic growth and the financial services sector will play a crucial role in achieving the development goals of the government.

"Among the several business friendly announcements, some that stood out for us include net rationalisation of customs duty on gold by 2.5 per cent which should bring more gold into the country through official channels and incentivising purchase of affordable homes by extending eligibility period for claiming additional deduction of interest paid of Rs 1.5 lakh to 31st March 2022," said George Alexander Muthoot, MD, Muthoot Finance.

Besides, the Finance Minister also announced a voluntary vehicle scrapping policy, to phase out old and unfit vehicles.

This will help in encouraging fuel efficient, environment friendly vehicles, thereby reducing vehicular pollution and oil import bill. Vehicles would undergo fitness tests in automated fitness centres after 20 years in case of personal vehicles, and after 15 years in case of commercial vehicles, Sitharaman said.

"We welcome the government's enhanced outlay of Rs 1,18,101 lakh crore for Ministry of Road Transport and Highways and the decision to launch a voluntary vehicle scrapping policy to phase out old vehicles. This step will be beneficial as it is aimed at reducing vehicular pollution post undergoing a fitness tests after 20 years for PVs and 15 years for CVs.

"This will encourage vehicle owners to buy younger vehicles up to 10 years old and ultimately lead to more new vehicles sales. We support these government initiatives as these steps are beneficial for both our company and sector," said Umesh Revankar, MD and CEO, Shriram Transport Finance. PTI KPM MR MR