

Last Updated : Feb 02, 2020 09:41 AM IST | Source: PTI

NBFC players say budget offers some hope, finally

The shadow banking sector, which also includes housing finance companies, has been struggling ever since the bankruptcy of IL&FS in September 2018 which created a crisis of confidence for the system and the resultant snapping of credit flow to them.

The non-banking finance sector, which has been down in the dumps since September 2018, has heaved a sigh of relief with the Union Budget offering a slew of measures to boost their liquidity and asset recovery.

The shadow banking sector, which also includes housing finance companies, has been struggling ever since the bankruptcy of IL&FS in September 2018 which created a crisis of confidence for the system and the resultant snapping of credit flow to them.

The Budget stated that the limit for NBFCs to be eligible for debt recovery under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, is proposed to be reduced from Rs 500 crore to asset size of Rs 100 crore or loan size from the existing Rs 1 crore to Rs 50 lakh.

Welcoming the budgetary measures for NBFCs, State Bank of India (SBI) Chairman Rajnish Kumar said this will lead to better recovery and borrower discipline in the sector.

Leading industry player Tata Capital's Rajiv Sabharwal said the budget has offered many positive measures to boost the NBFC and HFC sector which will increase the flow of liquidity.

"Budget has taken specific measures like enhancement of FPI limits in corporate bonds, abolishing of the dividend distribution tax and extension of the partial credit guarantee scheme. Lowering the threshold limits for accessing Sarfaesi Act benefit will further ease the recovery mechanism," Sabharwal said.

Vishal Kampani of JM Financial Group said the budget is a mixed bag for embattled NBFCs, which were waiting for big incentives to get out of the current squeeze.

"Yet some announcements like the tweak in eligibility limit for debt recovery, and reduction in loan size directly and the push to MSMEs will indirectly support NBFCs. More importantly, NBFCs will now be pinning hopes on the promises to ensure fund flow and revision of the partial credit guarantee scheme to come out of the current crisis," Kampani said.

Jaspal Bindra, chairman of the Centrum Group, also expressed disappointed with the budget saying "not enough has been done for the banking and financial services sector".

The mega challenge is around credit growth and the resultant liquidity crisis, which has not been addressed, he said.

Thomas John Muthoot of the Muthoot Pappachan Group said the measures announced for farm sector will have a ripple effect on the NBFC sector.

Ratings agency Brickwork Ratings said the increase in agriculture financing to Rs 15 lakh crore for fiscal 2021 enhances banks' dependence on NBFCs towards on-lending or kick-starting co-lending. This will improve the resource profile of NBFCs.

Also, allowing smaller NBFCs to use the Sarfaesi Act and also to smaller ticket loans will help accelerate recovery in this segment and improve their asset quality. That apart, the partial credit guarantee scheme has supported the liquidity profile of NBFCs. But the budget offers no specific redressal to address NBFCs exposure to stressed real estate sector which is a major disappointment, it said.

Gold loan player Manappuram Finance's VP Nandakumar said relaxation given to NBFCs for debt recovery is a welcome step even as it was looking forward to eventual parity with banks.

Also, enabling NBFCs to extend invoice financing to MSMEs through TReDS will help increase the flow of credit to MSMEs.

Ashwini Mehra of Duff & Phelps the budget empowers NBFCs to go for hard recovery measures and reduce the stress in their balance sheets. The restoration of health of the NBFC sector has to be a priority given their relative efficiency in credit delivery and last mile reach.

Siddhartha Mohanty of LIC Housing Finance said the time extension till March 2021 for additional Rs 1.5 lakh interest subsidy for affordable housing is a welcome step. Also, the tax holiday on profit would encourage more builders to take up affordable housing projects, individual can firm up home buying decision to enjoy the additional tax benefit of Rs 1.50 lakh.

Shachindra Nath of Ugro Capital said, "The reduction in the NBFC eligibility for SARFAESI Act to Rs 100 crore from Rs 500 crore AUM will boost the confidence among small NBFCs and reduce the cost of borrowing for MSMEs. The proposal to allow NBFCs to extend invoice financing to MSMEs will boost productivity in the sector."

Hemant Kanoria of Srei Infrastructure Finance said extension of the partial credit guarantee scheme for NBFCs can address their liquidity issues.