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LOOKING UP

'Stable' growth at home finance firms

Mumbai, March 10

The liquidity position of housing finance companies is normalising and growth in the sector post IL&FS default is stabilising, according to the National Housing Bank. Going by the Q3 FY20 numbers, it sees a clear sign of growth pick-up. With Q4 being the peak period in the housing finance sector and ₹20,000 crore of undrawn refinance sanctions available to HFCs, NHB expects a significant uptrend in their fresh sanctions and disbursements in the quarters ahead. p5

Post IL&FS default, housing finance companies see 'stable' growth: NHB

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Mumbai, March 10

The liquidity position of housing finance companies (HFCs) is normalising and growth in the sector post IL&FS default is stabilising, according to the National Housing Bank (NHB). Going by the Q3 (October to December) FY20 numbers, it sees a clear sign of growth picking up.

With Q4 (January to March) being the peak period of activity in the housing finance sector and ₹20,000 crore of undrawn refinance sanctions available to HFCs, NHB expects a significant uptrend in their fresh sanctions and disbursements in the quarters ahead.

NHB, which is the refinancer and lender to the housing finance sector, in a note observed that there is a distinct shift in the growth focus of HFCs in favour of retail home loans.

While the 76 HFCs with positive growth continue to add more than ₹21,000 crore of loans (assets) a quarter, the quarterly decline in the asset book of HFCs with negative growth has also corrected significantly from (-) ₹14,000 crore in Q1 (April to June) to (-) ₹.8,000 crore levels in Q2 (July to September) and Q3 (October to December), said the refinancer and lender to the housing finance sector.

Asset book of HFCs

Overall, the asset book of all (100) HFCs grew by more than ₹12,300 crore in Q3, while the individual home loan portfolio grew by ₹11,600 crore.

Against this, January 2020 alone witnessed a growth of ₹8,400 crore in the total loan book and ₹5,700 crore in the individual home loan portfolio.

Of the 100 HFCs, 76 showed a positive asset (loan) growth of 21 per cent post IL&FS default. Their asset book has grown by ₹1.74-lakh crore during the 16-month period from ₹8.28-lakh crore in September 2018 to ₹10.02-lakh crore in January 2020.

The positive asset growth was primarily through 21 per cent growth in these HFCs' retail individual home loan portfolio, which grew by ₹1.05-lakh crore during the reporting period from ₹5.08-lakh crore to ₹6.13-lakh crore.

As per the NHB's analysis, the overall credit growth of HFCs during the 16-month period ending January 2020 appears muted at 8 per cent, mainly on account of the reduction of ₹81,000 crore at nine HFCs, of which, the major decline was seen at three HFCs from among the top 20 which had negligible business operations during the period.

Had the assets of these nine HFCs remained the same, even if there was no growth, the overall asset growth of HFCs would have been 15 per cent over the September 2018 level, said NHB.

Total outstanding loan growth of 100 HFCs increased 8 per cent (or by ₹91,905 crore) during the 16-month period up to January-end 2020 to stand at ₹12.15-lakh crore. Of this, the individual loan portfolio grew 7 per cent (or by ₹41,668 crore) during the reporting period to stand at ₹6.72-lakh crore as of January-end 2020.

Funding conditions

The NHB observed that the 76 HFCs with positive asset growth of ₹1.74-lakh crore during the 16-month period have successfully funded it via incremental borrowing of ₹1.65-lakh crore, comprising ₹59,000 crore from banks and NHB, ₹77,000 crore from market borrowings, and ₹28,000 crore from public deposits.

In contrast, the HFCs (18) with negative growth witnessed a steep 30 per cent decline in their market borrowings. The HFCs with negative growth witnessed ₹65,000-crore reduction in their market borrowing (30 per cent decline over September 2018 level), while the exposure of banks and NHB has reduced by only ₹8,000 crore (12 per cent decline), though there is a 28 per cent contraction of their asset book during the period.