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# Liquidity Infusion Of Rs 30,000 Crore To NBFC/HFCS Will Help Real Estate Sector

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"This will also benefit the real estate sector significantly, given that NBFCs and HFCs are major lenders to it."

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13 May, 2020 by Ashish Sinha

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Aiming to spur the economic growth and in order to build a 'self-reliant' India, the finance minister Nirmala Sitharaman on May 13 announced a slew of measures covering a number of sectors and sub-sectors. For the real estate sector, the finance minister said the government, particularly the Urban Development ministry would write to the various state governments and the Union Territories requesting an extension in the timeline for project completions and registration by up to 6 months. The FM also said that the Covid-19 pandemic should be treated as an event of 'Force Majeure' under RERA.

"This is a big move that will de-stress developers significantly since construction activity had been halted all across the country. Homebuyers' wait for their homes will get extended by this move, but this was, in any case, inevitable," said Anuj Puri, Chairman – ANAROCK Property Consultants.

Further, the FM made the announcement of liquidity infusion to the tune of Rs 30,000 crore special for NBFCs/HFCs and MFIs in order to ease liquidity woes of the stressed players. "This will also benefit the real estate sector significantly, given that NBFCs and HFCs are major lenders to it. As per ANAROCK research, NBFCs and HFCs together contribute almost 56 per cent of total lending to real estate in India currently," said Puri.

Sanjoy Dutta, Partner, Deloitte India said: "The 30,000 crore Special Liquidity Scheme for investing in investment-grade paper of NBFCs/HFCs/MFIs is very positive as it directs liquidity where it is most required and will enable these institutions to support their borrowing customers through this period of cashflow stress." Dutta added that the detailing and execution of the scheme will be key to ensure there was an equitable distribution of the funds across the eligible borrower set.

Experts termed the partial credit guarantee scheme as a "bold move". Why? because it allows banks to renew lending to MFIs and NBFCs/HFCs with non-investment grade rating while ensuring that funds are released only after due risk assessment of the borrower's business and cash-flow together with active monitoring of the borrower through the duration of the borrowing as

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and cash flow stoppages. The move to extend the registration and completion date by 6 months for all registered projects will provide more time to such developers to raise fresh financing or debt to complete their pending projects." Sudhalkar said the ease of compliance norms under RERA and other laws is timely and well thought out decision to ease the stress of small developers, especially those into affordable housing.

Kaushal Agarwal - Chairman, The Guardians Real Estate Advisory said: "The Government has intended to resurrect the economy by reviving sentiment." According to Agarwal the Rs 30,000 crore infusion in NBFC's, HFC's and micro-finance companies with the help of debt papers and additional 20 per cent emergency credit line to businesses will directly impact the Real Estate sector in a positive manner.

Sharad Mittal, CEO, Motilal Oswal Real Estate Fund felt that some measures would surely help the developers but "it did not address the larger liquidity and cash-flow related challenges faced by the developers. "Considering that projects are likely to be delayed by at least 4 to 6 months due to the lockdown, extension by 6 months with states having option to give further 3-month extension is a welcome move for all real estate developers."

Commenting on the announcements made by the FM on May 13 N. Venkatram, CEO, Deloitte India said: "This is a long term story we are building. We should not look for easy solutions for the short term, but aim to be in a better and financially stronger place in 3 to 5 years. Revival of entrepreneurship and required regulatory changes will result in a radically transformed India in 10 years from now."

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