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NCR realty turns to NBFCs

With sales stuck and liquidity issues, and less onerous borrowing conditions on this route, realtors borrowed a combined Rs 6,000 cr this year

Raghavendra Kamath | Mumbai
December 28, 2015 Last Updated at 00:35 IST



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Non-banking finance companies (NBFCs) are cashing on the liquidity crunch faced by property developers in the National Capital Region (NCR).

Piramal Group, L&T Finance, Edelweiss and some others have done a number of lending deals with private developers in the region this year, amounting to around

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Rs 6,000 crore, according to Sway Financial Advisors, a business advisory. The latter's managing director, Parveen Kumar Khera, said there had been 18-20 per cent growth in credit from 2014.

According to sources, Piramal lent Rs 750-900 crore to developers in the NCR this year. Recently, Piramal Fund Management and Axis Bank co-funded Rs 550 crore in a mixed-use property project of The 3C Company in Noida. This is the largest real estate debt funding deal in the NCR this year. The Ajay Piramal-headed group's arm funded Rs 375 crore in the project, named Delhi One. The bank invested Rs 175 crore, in a structured debt

deal.

Piramal Group did not respond to the queries on the subject, saying Piramal Fund Management's managing director, Khushru Jijina, was travelling.

Khera said most of the NBFCs had taken exposure of Rs 200-250 crore in the NCR market. Recently, L&T Finance invested Rs 100 crore in two residential projects of the Rishabh Group in the region, said a sectoral source.

In June, Saya Group raised Rs 200 crore in a term loan from financial services firm Edelweiss to fund an ongoing housing project at Ghaziabad. Sources say the L&T Finance-Rishabh deal was struck at 25-30 per cent lesser cost than the Edelweiss-Saya deal.

According to sources, most NBFCs are lending to developers at 14-20 per cent. "Most of the developers in NCR are facing liquidity issues, as sales are not happening. They are taking the NBFC money to replace the debt taken from banks," said Santhosh Kumar, chief executive, operations, at JLL India.

According to PropTiger's 'Realty Decoder Q2FY16' report, the top nine cities have a little over 300,000 unsold housing units. The unsold stock in Mumbai is around 150,000 units; the NCR has 140,000.

Kumar said developers were also taking money from NBFCs for construction finance. Developers feel it is easier to do so than from banks or private equity (PE) companies.

"Many land parcels have been bought in the NCR. It makes sense for developers to take leverage on land. NBFCs do not ask for monthly repayment, which works well for developers," said Getamber Anand, president of the Confederation of Real Estate Developers' Associations of India.

Also promoter of ATS Infrastructure, he says many of these entities are first-time developers and find it difficult to raise funds from banks and PEs.

LENDING A HAND

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