

02:37 PM | 26 JUL **LIVE**
MARKET STATS ▼சென்செக்ஸ்
36,863 ▲ 5.61நிஃப்டி 50
11,130 ▼ -1.70கோல்டு (எம்சிஎக்...
29,848.00 ▼ -67.00யுஎஸ்டி/ஐஎ...
68.69 ▼ -0.09**CREATE
PORTFOLIO****ஈ-டி
மார்க்கெட்ஸ்...**CHOOSE
LANGUAGE
TAM

Housing downturn puts \$20 billion in bank loans at risk

BY BLOOMBERG | UPDATED: JUL 25, 2018, 03.45 PM IST

Post a Comment

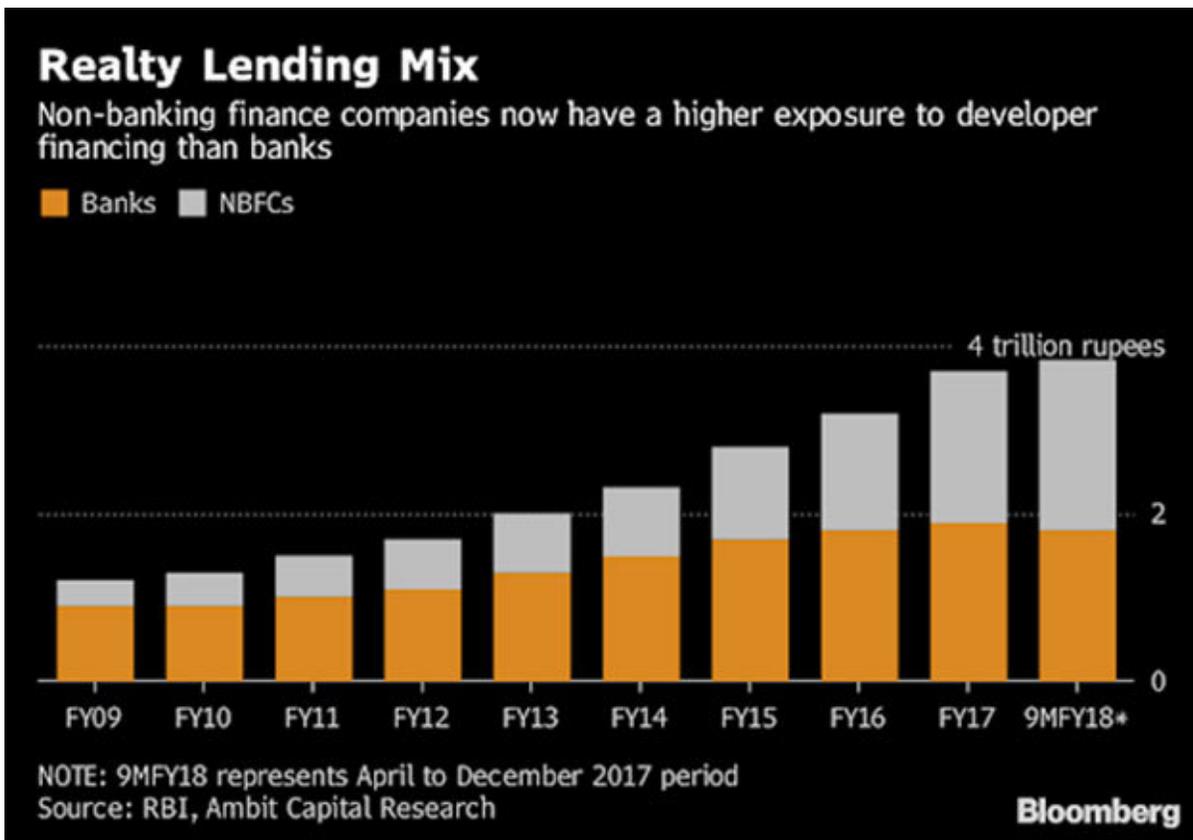
By Dhvani Pandya and Anto Antony**Big Change:**[The end of Five-Year Plans: All you need to know](#)

Indian lenders struggling to recoup loans worth about \$20 billion to troubled property developers have to contend with another challenge: A lackluster recovery from the worst home-sales slump this decade.

To recover the dues, banks are taking control of land parcels and unfinished projects that can be sold along with loans. This comes at a time when home sales volumes have declined about 40 per cent over four years and prices have dropped as much as 20 per cent on average, said S. Srinivasan, managing director of Kotak Investment Advisors, which oversees the alternate assets business of parent Kotak Mahindra Bank Ltd.

“Weaker hands are going out of business in realty and lenders are working on recovering \$20 billion worth of stressed loans to developers,” said Srinivasan, who has been bidding to buy properties that banks are putting on the block. “All those land banks, which developers used to tout as a valuation booster, are turning into bank lands now,” and creditors will have to take haircuts while selling the collateral.

Developers, including Jaypee Infratech Ltd. and Unitech Ltd., have been taken before India’s courts by irate homeowners and creditors as apartment sales slumped in the once red-hot South Asian market following the triple whammy of a surprise cash ban, tax reforms and a consumer-protection law for the sector. Last year, home sales plunged to a seven-year low and prices in some of India’s biggest cities tumbled.



In the first half of 2018, residential [property prices](#) continued to fall across major cities and sales were about stagnant, even as project launches improved, according to a Knight Frank report published Wednesday. Federal elections next year along with rising inflation and interest rates may mean a “rocky way ahead” for the industry, said Chairman and Managing Director Shishir Baijal.



Let the people know your business journey

Colombia



Now Play Poker Like a Master at PokerBaazi

PokerBaazi

Recommended By Colombia

Land Oversupply

There is an oversupply of land parcels in the market, weighing down on pricing, as banks push to recover loans, according to Indiabulls

Asset Reconstruction Company Ltd. The Mumbai-based bad loan buyer has already purchased stressed realty assets worth Rs 400 crore (\$58 million) and is examining another three buyouts, said Kiran Shingwekar, chief executive officer of IARCL.

“Banks have limited head room and expertise in bringing a stressed realty project back on track and hence it makes sense for them to sell down the loans and assets to firms specializing in the segment,” he said. “Their lack of willingness to take steep hair cuts has been delaying some of these deals.”

Lenders may be running short of options though. India’s central bank issued a directive in February forcing them to restructure loans quickly or take defaulters to bankruptcy court. The 180-day deadline to recast stressed debt -- replacing myriad schemes that could drag on indefinitely -- is expected to trigger a bout of deals.

Loan Exposure

Outstanding loans from banks to realty developers have been little changed at about Rs 1.8 lakh crore for the two years through May, according to data from the central bank. In addition, non-banking finance companies have an exposure of Rs 2.2 lakh crore to the sector till December, according to an Ambit Capital report published in April.

Lenders including banks and finance companies operate at the highest-risk end of the realty market, providing financing for land acquisition or construction, Srinivasan said.

“This \$20 billion stress is just at banks. We don’t even know what level of non-performing loans is there in non-finance companies’ books since their recognition norms are more relaxed and [bad loans](#) are not really coming out,” he said. “The day of reckoning is not far.”

Stay on top of business news with The Economic Times App. [Download it Now!](#)

Powered by

[Live Market](#)
[News](#)
[Portfolio](#)
[Mobile](#)
[Live TV](#)
[Biz Listings](#)

[Industry](#)
[Newsletters](#)
[Commodities](#)
[Speed](#)
[Blogs](#)
[RSS](#)

[About Us](#)
[Create Your Own Ad](#)
[Advertise with Us](#)
[Terms of Use & Grievance Redressal](#)
[Privacy policy](#)

FOLLOW US

Download it from
APP STORE

Download it from
GOOGLE PLAY

Download it from
Windows Store

Other Times Group news sites

[इकनॉमिक टाइम्स](#) | [ઇકોનોમિક ટાઇમ્સ](#) | [Pune Mirror](#) | [Bangalore Mirror](#) | [Ahmedabad Mirror](#) | [ItsMyAscent](#) | [Education Times](#) | [Brand Capital](#) | [Mumbai Mirror](#) | [Times Now](#) | [Indiatimes](#) | [नवभारत टाइम्स](#) | [महाराष्ट्र टाइम्स](#) | [ವಿಜಯ ಕರ್ನಾಟಕ](#) | [Go Green](#) | [AdAge India](#) | [Eisamay](#) | [IGN India](#) | [NavGujarat Samay](#) | [Times of India](#) | [Samayam Tamil](#) | [Samayam Telugu](#) | [Miss Kyra](#) | [Bombay Times](#) | [Filmipop](#) | [BrainBaazi](#) | [BrainBaazi APP](#)

Living and Entertainment

[Timescity](#) | [iDiva](#) | [Entertainment](#) | [Zoom](#) | [Healthmeup](#) | [Luxpresso](#) | [Gadget Reviews](#) | [Titanium & Platinum Credit Card](#) | [Online Songs](#) | [MensXP](#) | [Hotels](#) | [Travel Destinations](#) | [Cricbuzz](#) | [Recipes](#) | [Gaana](#) | [Happytrips](#) | [Getsmartapp](#)

Interest Network

[itimes](#)

Hot on the Web

[Share Market](#) | [GST](#) | [Income Tax Slabs](#) | [Aadhaar Card](#) | [IFSC Code](#) | [Mutual Funds](#) | [Top ELSS Funds to Invest](#) | [How to save Income Tax](#) | [Sensex Today](#) | [Nifty Bank](#) | [How to earn money](#) | [Income Tax Calculator](#)

Services

[Book print ads](#) | [Online shopping](#) | [Matrimonial](#) | [Astrology](#) | [Jobs](#) | [Tech Community](#) | [Property](#) | [Buy car](#) | [Bikes in India](#) | [Free Classifieds](#) | [Send money to India](#) | [Used Cars](#) | [Restaurants in Delhi](#) | [Remit to India](#) | [Buy Mobiles](#) | [Listen Songs](#) | [News](#) | [TimesMobile](#) | [Real Estate Developers](#) | [Restaurant Deals in Delhi](#) | [Car Insurance](#) | [Gadgets Now](#) | [Free Business Listings](#) | [CouponDunia](#) | [Remit2India](#) | [Techradar](#) | [AliveAR](#) | [Getsmartapp App](#) | [ETMoney Finance App](#) | [Feedback](#) | [Auto](#)

In Case You Missed It

[All about PNB Fraud](#)

[Home Loan Calculator](#)

[Reliance Jio](#)

[Education Loan Calculator](#)

[Motor Vehicles \(Amendment\) Bill](#)

[Jio](#)

[Income Tax Calculator](#)

[How to file ITR](#)

[Indian Railways](#)

[Income Tax](#)

[IRCTC refund rules](#)

[IFSC Code](#)