

IL&FS crisis aftermath: No stress reported in housing financing firms so far, says official

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The crisis at Infrastructure Leasing and Financial Services (IL&FS) has prompted authorities to review the health status of the housing finance segment that gets critical refinancing support from the National Housing Bank (NHB). There is “no reported stress” in the 97 housing finance companies (HFCs) as yet, a senior government official told FE.

The NHB's latest move to raise its refinancing target by 25% to Rs 30,000 crore for the year through June 2019 was aimed at improving market sentiments that were battered by speculations of a liquidity crunch in the housing finance segment, the official said.

Many HFC stocks have taken a beating.

However, NHB, an arm of the Reserve Bank of India (RBI), isn't looking at financing IL&FS projects, as its mandate is to provide support mainly to HFCs. As such, infrastructure refinance and housing refinance are two different segments, the official explained. NHB also serves as a regulator of HFCs, under the overall regulatory framework stipulated by RBI.

The move to improve sentiments towards HFCs hasn't quite succeeded, through, amid a mayhem in the markets as foreign portfolio investors continue to pull out. Dewan Housing Finance has been among the worst affected, with its share having plunged over a half in the past one month to `288.9 on the BSE on Thursday. Similarly, PNB Housing Finance has lost over 33% in the last one month, while Indiabulls Housing Finance shed 21% and LIC Housing Finance 13%.

Nevertheless, the higher availability of funds through NHB and the State Bank of India's decision to triple its target of buying standard loans from non-banking financial companies, including HFCs, to up to `45,000 crore in FY19 were seen by market participants as positive moves to shore up liquidity in the broader NBFC segment. These announcements temporarily brightened the mood on Wednesday before the markets were again hit by a global sell-off on Thursday.

"Infrastructure refinance and housing refinance are two separate buckets. Housing loans are usually secured loans, backed by solid collateral, while not all infrastructure financing/refinancing is supported by such assets. So, crisis at IL&FS fundamentally shouldn't affect the HFCs," said the official. However, thanks to excessive speculation and confusion, people sometimes tend to treat HFCs as any other NBFCs, the official added.

Already, saddled with bad debts, banks have turned more cautious in offering loans to HFCs, some of which are facing a liquidity crunch.

Since July, Rs 8,835 crore was sanctioned by NHB (up to Monday). NHB is the principal agency to promote housing finance institutions. It offers refinance assistance to HFCs in respect of their housing loans to individuals, and also for their loans to other institutions for housing finance and construction finance.

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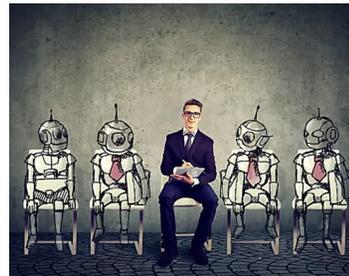
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