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Market Watch

Value of 'roti, kapda, makaan and internet' reinforced due to lockdown: Deepak Parekh

BY PTI | UPDATED: JUL 02, 2020, 10.22 PM IST

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Eminent banker [Deepak Parekh](#) has said the value of food, clothing, shelter and now [internet](#) has been reinforced as essentials of life due to the [lockdown](#) and people would want to have their own home more than ever. In his annual letter to the shareholders of mortgage giant HDFC Ltd, its Chairman Parekh also suggested a one-time restructuring of real estate loans, easing of external commercial borrowing rules and immediate changes in regulations to allow end-to-end execution of housing loans online.

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These are unusual times and a pragmatic approach is needed to resolve the financial stress in the real estate sector without bail-out packages, he said.

Allowing the problem to fester may result in a rise in non-performing loans, which in turn will weaken the overall financial sector, Parekh said.

He also called for real estate prices to be made realistic to reflect current market realities, saying it would help developers offload their unsold inventory and improve their cashflows.

Simultaneously, there is a need for realignment of ready reckoner rates as well, he said. Parekh also lauded the [RBI](#) for shouldering a huge burden to maintain financial stability.



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The industry veteran said interest payments on borrowings and loans are contractual obligations and when no laws are being violated then all efforts at this juncture must be channelled towards economic recovery rather than getting into legal wrangles.

"These issues must be resolved smoothly and I remain hopeful that the authorities will find solutions to safeguard its stakeholders," he said.

Parekh said the global economy has never before simultaneously seen demand and supply evaporate and the pandemic has revealed the fragility of health systems and the lack of social safety nets the world over.

At the same time, the lockdown has reinforced the value of the essentials of life -- food, clothing, shelter and now, the internet.

"There can be no better security in life than a home... HDFC is in the right business and we have done business the right way. There may be lags in terms of healing time, but we remain confident that the inherent demand for housing is intact," he said.

Parekh said FY20 has seen HDFC deliver a good performance, but by no means it was an easy year.

"Risk averseness in lending heightened, further choking credit where it was needed the most... We had our share of disappointments too.

"These pertained to certain long-standing relationships we thought we were confident about. When hardships fell upon them, the legal system overrode our recovery efforts," he said.

He said the recovery efforts will continue unabated. "In the most trying times, recent resolutions in our favour have been encouraging, sparking hope of a changing tide".

Parekh further said a scenario is emerging where there may be inorganic opportunities for HDFC group companies and some of its



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"We have also identified new investment opportunities that will help build the next generation of value creators for HDFC. To support this, we are putting in place a roadmap for our future capital requirements," he said.

Parekh said woes of the Indian economy predate the pandemic and pressed for solutions that do not impinge on the limited resources of the government given the immense constraints on fiscal finances.

He said the government has rightly recognised the benefits of encouraging housing, given the construction sector being the second largest employment generator and having multiplier effects through its extensive backward and forward linkages with other industries.

"A few policy changes will go a long way in supporting housing and housing finance going forward," he said, while suggesting steps to liberalise external commercial borrowings and also a one-time restructuring for real estate loans.

If developers do not have cash flows due to a slowdown in sales or delay in receiving requisite building approvals, they can neither complete the existing projects nor can they service their loans, he said.

Even if a lender is willing to help the project stay viable, any modification in the terms of the loan, including additional funding is construed to be a non-performing loan under the current regulatory norms.

"Allowing for a restructuring of these loans and categorising them as standard assets will facilitate last mile funding for these projects," he said.

Parekh also favoured changes in regulations so as to facilitate end-to-end execution of mortgages online.

"Currently, loans are being approved online, but disbursements cannot happen as e-signatures on mortgage documents or agreements pertaining to immovable properties are excluded from the purview of the [Information Technology Act, 2000](#).

"With the immense thrust on technology in the financial sector, this amendment can easily be facilitated through an ordinance," he said.

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