

# HFCs push back biz goals amid cash crunch

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Small housing finance companies (HFCs) have pushed back their 2021 business targets as a liquidity crunch continues to cripple their growth. Many companies that have seen their disbursements dip sharply over the third quarter are yet to see any signs of a pick up.

Housing finance companies have seen growth slow down to 12% from 18% earlier, according to India Ratings.

Reliance Home Finance, for instance, which had set itself a target of achieving ₹50,000 crore of assets under management (AUM) over the next two years, is scaling down its expectations. The wholly-owned subsidiary of Reliance Capital was riding on the expectation that the affordable housing segment could continue to see 30% growth year-on-year. While the potential for growth remains, the recent liquidity crunch has dried up funds for on-lending.

Ravindra Sudhalkar, the



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chief executive officer of Reliance Home Finance and also the co-chairman of ASSO-  
CHAM National Council on Affordable Housing, said that nationalized banks have stopped lending in the wake of a liquidity crisis arising from repayment

defaults by IL&FS. The debt-ridden infrastructure finance company in which various cor-

porates, as well as mutual funds and insurance firms, had invested through short-term instruments (like commercial papers and non-convertible debentures), has been defaulting on its several debt obligations since August 2018.

"While we have the capability to grow the portfolio, we will not look at expanding the book till I don't have a clear view on

liquidity. We had a plan to increase AUM to ₹50,000 crore by 2021. I see that getting pushed back by couple of months and quarters," said Sudhalkar.

According to Sudhalkar, many small HFCs are sitting on cash at this point and likely to cover repayments for the next couple of months. "In a normal basis we were having liquidity up to two months, now we would like to have liquidity for next six months," he added.

If Sudhalkar's projections turns out to be true, then it is likely that the government's plans under the Pradhan Mantri Awas Yojana (PMAY) which is aimed at ensuring universal housing by 2022 could also get delayed.

"The government's targets under PMAY scheme for providing housing for all by 2022 could see some delay because of the recent liquidity crisis. Profitability for many HFCs are likely to be hit as cost of funds have gone up by 50-100 basis points," said Subramanian Balaganapathy, assistant general manager, Repco Home Finance.

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