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Nearly Rs 1.35 lakh cr of realty debt under severe stress: Report

Synopsis
Nearly Rs 1.35 lakh crore of real estate debt is under severe stress, with extremely poor visibility of loan servicing, reveals a study conducted by Anarock Capital. However, despite the pandemic, two-thirds of about Rs 5.02 lakh crore of total loan advances to real estate companies by banks, NBFCs and home financiers are stress-free.

"Moreover, the entire 'severely stressed' loan value in real estate is spread across more than 50 developers," says Agarwal.

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Mumbai: Nearly Rs 1.35 lakh crore of **real estate** debt is under severe stress, with extremely poor visibility of loan servicing, reveals a study conducted by Anarock Capital. However, despite the pandemic, two-thirds of about Rs 5.02 lakh crore of total loan advances to real estate **companies** by **banks**, **NBFCs** and home financiers are stress-free.

Financial institutions have lent nearly Rs 7.5 lakh crore ($100 billion) to developers.

The report also highlights that another 15% (approximately $15 billion) is under some pressure but has scope for resolution with certainty on at least the principal amount.

"Covid-19 has had a cascading impact across sectors, and 'severely stressed' loan levels in Indian real estate were expected to go up substantially. However, real estate – particularly the residential segment - has fared better than anticipated," said Shobhit Agarwal, MD & CEO - ANAROCK Capital.

Toward 2019-end, of the total real estate loans of nearly Rs 7 lakh crore, at least 16% was severely stressed. Despite the devastation of the pandemic over the last one year, only 18% of the $100 billion loan value falls under this category, which is far better than other major sectors such as telecom and steel, the report highlights.

"Moreover, the entire 'severely stressed' loan value in real estate is spread across more than 50 developers," says Agarwal.

Individually, banks accounted for the largest share of total **realty** loans with 37%, followed by housing finance companies with approximately 34%, and NBFCs have 16% and 13% loansgiven under trusteeships.

Of these, banks and HFCs are much better placed with 75% and 66%, respectively, of their lending books in a comfortable position, the report adds. Not surprisingly, nearly 46% of the total NBFC lending is on the watch-list.

Also, about 75% of the total lending to Grade A developers is safe. On the other hand, a high amount of realty loans given to Grade B and C developers needs strict monitoring. Close to 55% of the loans given to Grade B developers is under 'severe' stress; for Grade C developers, it is over 73%.

As per the report, Pune and NCR are both high on stress with 40% and 39%, respectively, of the total loan given to them, followed by Mumbai with 37%.