

Publication:	Economic Times	Edition:	Mumbai
Date:	01-Sep-2017	Page No:	12
Supplement:	Main	Size (cm2):	249.38
Title:	Next Round of Bad Loans may be from Realty	Byline (Author):	Saloni.Shukla@timesgroup.com

NOW BREWING Though banks claim only 5% loan exposure, many projects are stuck after RERA launch

Next Round of Bad Loans may be from Realty

Saloni.Shukla@timesgroup.com

Mumbai: Bankers have a new worry these days – real estate – after being laid low by infrastructure and steel for more than four years. With the collapse of new projects and many existing ones getting stuck after the introduction of Real Estate Regulation Act, or RERA, they fear the next round of bad loans may come from real estate, though banks claimed that have only 5% direct exposure to builders.

“We have a few developers in the North who have not been constructing property, or a slowdown in construction has triggered some movement in the NPA category. This is not a significant number, but you do see some stress when these changes happen,” said PS Jayakumar, MD, Bank of Baroda.

As per RBI data, loans to commercial real estate have fallen by over 3.3%. After demonetisation, the sharpest slowdown took place in the cash-intensive real estate sector with the situation worsening after RERA launch. The construction sector has suffered from

Real Worries
3.3% Fall in loans to commercial real estate

10,852 Applications received by RERA for project registration in Maharashtra till July 31

20,000 New units launched in top seven cities in 2Q17

26,000 Units launched in 1Q17



Sharpest slowdown took place in cash-intensive real estate sector after demonetisation

relatively high leverage and high interest burden.

The government enacted the Real Estate (Regulation & Development) Act, 2016, and all the sections of the Act have come into force with effect from May 1 this year. Builders had three months to register their new and ongoing projects with their respective state RERAs.

Maharashtra, apart from Punjab and Madhya Pradesh, was one of the first states to notify its rules under the Act and establish Maha RERA. Until the midnight of July 31 deadline, the regulator had received a total of 10,852 applications for registration of

ongoing projects across Maharashtra and so far the number has crossed 12,000.

“We have seen some issues on the luxury housing segment but we are very bullish on affordable housing,” said Pralay Mondal, business head - Retail Banking and Business Banking at Yes Bank.

“There’s a little bit of slowdown as clarity is emerging on RERA and there is a lot of pressure on the cash economy. But the good thing about RERA is that today we can know the status, whether the project is compliant or not, and it is very good for the customers at the end of the day.” According to RERA, builders are expected to disclose project-related information, to customers.

