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Housing loan: Lenders at home in bad credit market

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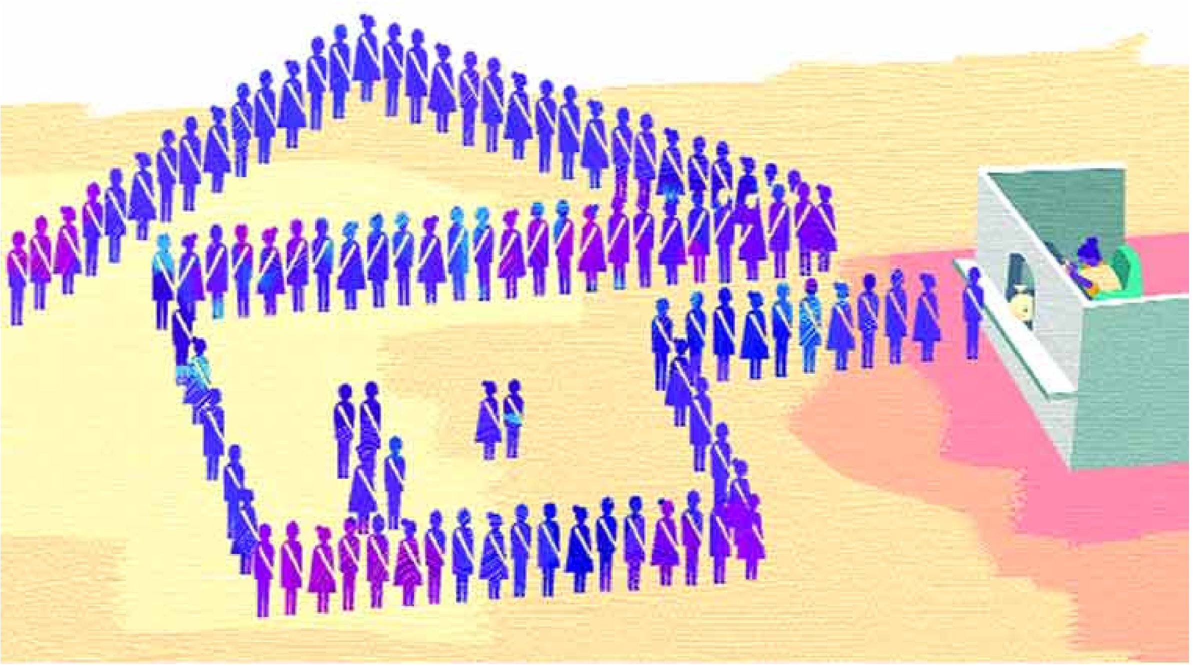

Lenders have realised that going retail is the best option in the current circumstances, given the sharp rise in stressed assets of big corporates. (Illustration: C R Sasikumar)

At a time when over-leveraged corporates are keeping away from bank borrowings, the home loan segment has turned out to be good performer in the sector with an increasing number of buyers opting for bank funding. Banks have reported an 18.8 per cent increase in outstanding housing loans to Rs 7,46,800 crore for the fiscal ended March 2016 whereas the industry, which accounts for 41 per cent of total outstanding credit, showed only 2.7 per cent growth in credit offtake, according to Reserve Bank figures.

Housing loans have jumped 88 per cent from Rs 3,97,100 crore in fiscal 2012 with the bygone fiscal showing an incremental rise of Rs 1,18,300 crore. It's for the first time in the banking history that home loans during a year crossed the Rs one lakh crore mark. Hit by the rising non-performing assets (NPAs) and stressed assets, banks are also putting the focus on home loans and other retail loans. Take the case of Punjab National Bank which posted gross NPAs of 8.47 per cent as of December 2015. The bank's home loan segment showed a growth of 26.83 per cent to Rs 25,061 crore till December. Other public sector banks also showed a similar trend.

Lenders have realised that going retail is the best option in the current circumstances, given the sharp rise in stressed assets of big corporates. On the other hand, bad loans in the home loan segment are negligible — less than one per cent of advances in most cases.

"The personal loans segment was the leader this year being spearheaded by the home loans segment as growth in credit accelerated by 19.4 per cent from 15.5 per cent in FY15. Quite clearly, there was some resurgence in this segment with banks also preferring to go the retail way," said a report by Care Ratings. Outstanding vehicle loans also showed a jump of 22.7 per cent to Rs 1,52,900 crore during the fiscal ended March 2016, thanks to a series of vehicle launches in the last one or two years. Credit card outstanding rose 23.7 per cent to Rs 37,700 crore during 2015-16, indicating that spenders are increasingly using credit cards.

THE BREAK-UP

LOAN OUTSTANDINGS (RS CRORE)

	FY12	FY13	FY14	FY15	FY16
Housing	3,97,100	4,56,700	5,38,600	6,28,500	7,46,800
Vehicle loans	89,100	1,11,100	10,6300	1,24,600	1,52,900
Advances against FDs	57,000	61,100	63,600	62,500	66,700
Credit Card Outstanding	20,400	24,900	24,900	30,500	37,700
Education	49,900	55,000	60,000	63,300	68,200
Consumer durables	7,100	8,400	12,800	15,300	17,800
Advances against shares	3,000	3,100	3,800	5,400	6,400
Other personal loans	1,59,300	1,77,400	1,99,700	2,36,200	2,95,800

BANK CREDIT PROFILE FOR FY16

	Mar-16	Share %	FY15 change %	FY16 change%
Non-food Credit	65,46,900	98.5	8.6	9.1
Agriculture	882,900	13.3	15.0	15.3
Industry	27,30,700	41.1	5.6	2.7
Priority Sector	22,25,900	33.5	9.9	10.7
Services	15,41,100	23.2	5.7	9.1
Personal loans	13,92,200	20.9	15.5	19.4

With the home loan segment showing only marginal NPAs, banks and mortgage firms are pushing hard. For example, HDFC's gross NPAs as on March 31, 2016 amounted to Rs 1,833 crore which is equivalent to 0.70 per cent of the loan portfolio. The non-performing loans of the individual portfolio stood at 0.51 per cent while that of the non-individual portfolio stood at 1.12 per cent, HDFC says. Gross NPAs of Dewan Housing Finance stood at 0.93 per cent amounting to Rs 573.06 crore. PNB Housing Finance has reported gross NPAs of 0.22 per cent. "With strong fundamentals of the Indian economy and a conducive environment for the mortgage industry, the velocity for the sector seems to be gaining and this shall provide huge impetus to continue its growth momentum," said Sanjaya Gupta, MD, PNB Housing Finance.

When compared to the low level of bad assets in home and other personal loan segments, banks are sitting on huge pile of NPAs. Stressed assets (gross NPAs, restructured standard assets and written off accounts) for the banking system, which stood at 9.8 per cent as at the end of March 2012, moved up sharply to 14.5 per cent as at the end of December 2015. During the same period, the stressed assets for the PSBs spiked from 11 per cent to 17.7 per cent, the RBI says.

“Broad policy initiatives by the government to boost the SME and infrastructure sector together with the increase in rural income and demand also had a direct impact on our home loan and SME lending business. We are quite positive that this year will be significantly better for the housing finance and real estate sector in terms of demand and investment driven by increased infrastructure spending and encouraging policy initiatives,” said Kapil Wadhawan, CMD, DHFL. Banks, especially private banks, are now focusing on retail loans. “The bank has continued to see robust growth in its retail business resulting in a year-on-year growth of 23 per cent in the retail portfolio. The retail portfolio constituted about 47 per cent of the loan portfolio of the bank,” ICICI Bank said.

The overall non-food credit showed a rise of only 9.1 per cent to Rs 65,46,900 crore as per the data compiled by the RBI. Micro and small units showed a negative loan growth of 2.3 per cent to Rs 3,71,500 crore. Medium-sized industries reported a larger negative growth of 7.8 per cent to Rs 114,800 crore. “This does indicate that besides lower demand due to stagnant production, banks too have been watchful while lending to this segment. Bank credit growth to the larger companies was positive but lower than last year. These companies also had access to the bond market and there was some substitution at the margin as the interest rate differential was attractive at certain points,” Care said.

According to industry circles, customers are now optimistic about a decline in rates after the 25 bps cut in repo rates by the RBI in April and the new system of marginal cost based lending rate. “We also understand that at this point of time the banks are burdened with NPAs which calls for a higher amount of provisioning. This will act as a key deterrent for banks to cut rates on retail lending. But we still are very hopeful that home buyers will get at least a 50 bps cut in home loan rates. This should definitely go well for the industry at large,” said Getamber Anand, president, CREDAI National.

Rating firm Standard & Poor’s expects loan growth in India’s banking sector to be 11-13 per cent in fiscal 2017. S&P and bankers expect that growth in retail loans will continue to outpace that in corporate loans, in line with the trend over the past two years.

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