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Facing liquidity squeeze, NBFCs/HFCs pin hope on banks to resume lending

Securitisation tap seen running dry

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Non-banking finance companies (NBFCs) and housing finance companies (HFCs) see the securitisation tap running dry in the next few months. They are now pinning their hope on banks' resuming their lending to them in support of their operations.

While some NBFCs feel that the Reserve Bank of India should further relax the securitisation guidelines to give a helping hand, there are other who are of the opinion that the long-term sustainable solution would be the return of bank funding (lending) for sustenance of NBFC/HFC operations.

Some NBFCs feel that the RBI should further relax the securitisation guidelines to give them a helping hand ISTOCKPHOTO

'Steady bank funding'

"While NBFCs and HFCs in the past six months have resorted to securitisation for their liquidity requirement, it all depends on steady bank funding for the existence and growth of many NBFCs and HFCs. Securitisation is a short-term solution. For a robust long-term solution banks need to start funding and, currently, that's not happening," said Ravindra Sudhalkar, ED & CEO, Reliance Home Finance. "In the next couple of months, even the securitisation tap would run dry. It is important that the regular banking channels commence lending to the sector and, unless that happens, it would again lead to a squeeze with no funding options", he said.

Changes in guidelines

Meanwhile, Finance Industry Development Council (FIDC), a representative body of NBFCs, has written to the RBI seeking changes to the securitisation guidelines. It wants the central bank to do away with the prescribed minimum holding period (MHP) and minimum retention requirement (MRR). As an immediate relief, the MHP for loans with maturity of two to five years should be reduced from six to three months, said Raman Aggarwal, Chairman, FIDC.

NBFCs have to follow Ind AS from April 1, 2018 and the requirement of MHP and MRR denies the benefit of a true sale, resulting in additional capital requirement.