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# IL&FS crisis: Lenders hopeful, but stare at haircut

BY [JOEL REBELLO](#), ET BUREAU | OCT 03, 2018, 07.06 AM IST

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MUMBAI: Lenders to the debt-laden IL&FS group of companies may have to take a 10-15% haircut in many projects as buyers could bargain hard and bring down their receivables. A clutch of lenders led by [Bank of India](#) (BoI) and State Bank of India (SBI), and including foreign banks, have lent Rs 34,480 crore, which is part of IL&FS' total consolidated debt of Rs 91,000 crore.

A [Kotak](#) Institutional Equities report based on public information on the company said BoI, with loans of Rs 2,388 crore, has the highest exposure to the troubled firm followed by SBI, at Rs 2,140 crore. Punjab National Bank is third with Rs 1,859 crore. Yes Bank, with Rs 1,841 crore, has the largest exposure among private sector banks.

Monday's decision by the central government to sack the 15-member board and appoint a new six member team led by banker Uday Kotak may have boosted banks' chances of recovery but haircuts are unavoidable, experts said.

"These loans will have to be restructured and there will be an asset monetisation process which means there is likely to be a delay in some payments. Then you have to also consider the mark to market losses on these loans. It is fair to assume some haircuts for lenders in the short term," said Abizer Diwanji, partner, financial services at EY.

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<b>SBI</b> 2.40 (0.88%)	
<b>PNB</b> 1.90 (3.01%)	
<b>IL&amp;FS</b> 5.35 (19.96%)	
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# Bankers Relieved

**BoI, SBI leading lenders to IL&FS group; Yes Bank has largest exposure among private sector banks**

**Bankers confident about** getting money back after govt action

**Assets on ground,** likely shareholder support making lenders confident

**But restructuring could mean delayed payments**



The new board is yet to meet to chalk out a financial plan that will include monetising some assets, rejigging payments and restructuring loans. The National Company Law Tribunal said on Monday that the board should meet on or before October 8.



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“We are confident that we will get our money back because the government has now stepped in and will ensure that liquidity is provided. Assuming a haircut now is premature, because with the government stepping in, creditor confidence has improved,” said a banker with a UK-based lender which has about Rs 200 crore of exposure to one of the group companies.

Bankers said the fact that there are projects on the ground which can be monetised gives the lenders some confidence. “This is a short-term liquidity issue which will be resolved through capital infusion and grant of short-term loans by government-backed entities. Assets on the ground are likely to be monetised, for which the process will be kick-started by the new board,” said a banker with substantial loans to the company.

“Roads, power and energylinked projects are real assets which are there are on the ground. There are buyers for these projects even though banks may need to delay some repayment. Power tariffs are already on the way up and if we look at the bids that we have got for some infrastructure projects, it makes us confident that IL&FS remains a liquid asset,” said another banker.

They added that the board is unlikely to propose a haircut immediately, but it would happen as buyers drive a hard bargain. “Once the short-term liquidity issue is resolved, the board will get more time. They can take a few months to a year to offload some projects,” said another banker.

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