

At ₹25,000 crore , NCD holders have the second highest exposure to IL&FS after PSBs

Venkatesh Ganesh/Palak Shah Mumbai | Updated on April 04, 2019 Published on April 04, 2019



It's not just public sector banks (PSBs) and NBFCs that are worried about their exposure to IL&FS. Investors holding non-convertible debentures (NCDs) worth nearly ₹25,000 crore are in the same boat.

According to data released by IL&FS, investors holding its NCDs have the second largest exposure after PSBs, which have to recover loans in excess of ₹35,000 crore. NCDs are mostly held by individual investors, dealers, NRIs and FIIs. IL&FS has a total debt of about ₹94,000 crore.

Though the company has outlined plans to sell some of its assets to pare debt, there is no clarity on how much it will be able to raise given the sentiments in the infrastructure sector. This has made it difficult to recover money from its receivables to pay off bankers and unsecured lenders.

IL&FS debt break-up

Fund-based outstanding as on October 8, 2018 (in ₹ cr)

	Secured	Unsecured	Total
PSU banks	34,326	1,056	35,382
NCDs	19,247	6,520	25,767
Other banks	6,025	3,411	9,436
Financial institutions	7,779	1,359	9,138
Foreign banks	3,923	2,108	6,031
Commercial paper	-	3,028	3,028
NBFCs	1,081	626	1,708
Corporations	53	1,050	1,103
State governments	-	602	602
Others	925	1,097	2,022
Total	73,359	20,857	94,216

Larger ramifications

Industry watchers say this has larger ramifications for the Indian corporate debt market.

“The corporate debt market will learn from the IL&FS experience,” remarked Nilesh Shah, Managing Director at Kotak Mahindra AMC. “No investor would like to lose money, especially in AAA-rated entities. The unexpected default by IL&FS will push investors to scrutinise the financial situation of borrowers irrespective of their parentage. There will be greater focus on return of principal rather than return on principal in the bond market.”

IL&FS, an unlisted AAA rated NBFC, defaulted on September 14 last year. Since then ICRA and Care Ratings have downgraded IL&FS and its subsidiaries significantly from investment grade to junk status.

The impact has been multifold. According to a recent Fitch report, while stress in the NBFC sector appears to have receded, the sector's ability to provide credit seems reduced.

Others, meanwhile, have taken a haircut. Sudip Bandyopadhyay, Group Chairman, Inditrade Capital, said: "There is a problem. Even blue chip companies like Titan have exposure and they are writing off the same. This has already impacted the corporate debt markets."

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