# Huge wall of maturing debt looms for NBFCs

**Bloomberg** Mumbai | Updated on June 19, 2019 Published on June 19, 2019


## NBFCs have a record number of bonds due next quarter, data shows.

Facing a record amount of debt that is about to mature, India's non-bank financing companies (NBFCs) are finding their troubles worsening as a crisis of credibility starts to bite.

The shadow lenders, which have been under increased strain after the collapse of IL&FS Group last year, have a record Rs 1,10,000 crore ($15.8 billion) of local-currency bonds due next quarter, according to data compiled by *Bloomberg*.

Refinancing the obligations poses a challenge as investor concerns flare amid mounting problems such as auditors quitting, repayment problems and allegations of embezzlement.

**Also read: Time to crack the whip**

"The refinancing risk is becoming bigger for those NBFCs with a larger quantum of repayments coming due," said Rajat Bahl, chief analytical officer at Brickwork Ratings in Mumbai. "The only options for them are the sell down of loan portfolios, securitisation and zero-to-no growth in new loan disbursements.”

A financing crunch may hurt India’s economic growth that the non-bank financing companies have helped underpin by providing financing for smaller businesses including restaurant owners, rickshaw drivers and merchants. Such lending, which traditional banks may have avoided, has essentially run on leverage — the shadow lenders get money from banks or by issuing bonds, and use that for other types of financing.

## Rough credit environment

NBFCs also have more than Rs 1 lakh crore of bonds to refinance in both the first and second quarters of 2020, the data show. Maturities will climb to about Rs 3,90,000 crore in 2020, an all-time high.

Lenders led by Dewan Housing Finance Ltd and tycoon Anil Ambani-controlled Reliance Capital Ltd are seeking to accelerate asset sales including subsidiaries to meet rising debt commitments.

**Also read: Why the NBFC crisis is entering a new phase**

The resignation of one of Reliance Capital’s auditors, delayed payments by Dewan this month and allegations against Indiabulls Housing Finance Ltd are hurting an already rough credit environment.

“It will take at least a year for the crisis to settle down, and lending to NBFCs will only return if liquidity issues at some companies are resolved,” said Gopikrishna Shenoy, who oversees $20 billion as chief investment officer at SBI Life Insurance Co, one of India’s largest private life insurers.

“The larger NBFCs are going to banks for fund-raising and crowding out the smaller ones, which have very limited choices to raise money,” Brickwork’s Bahl said.

Published on June 19, 2019



NBFC