

DHFL lenders to meet on Monday to discuss debt recast plan of the troubled NBFC

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To protect their exposure of about ₹46,000 crore to the cash-strapped Dewan Housing Finance Corporation Ltd (DHFL), banks are likely to meet soon to put together a plan to ensure that there is no systemic impact of the recent credit rating downgrades and defaults, albeit temporary, on financial instruments.

Among the steps that banks could take is to appoint a professional agency to monitor cash flows, including collections, at the housing finance company so that the same is utilised only for repaying loans and other maturing liabilities, stepping up purchase of home loan portfolio from the company via securitisation.

The banking sector's exposure to DHFL is about ₹46,000 crore, including about ₹32,000 crore direct (loan) exposure and about ₹14,000 crore by way of investments in debt instruments issued by the company. There are about 35 banks, both public and private sector, that are part of the lenders' consortium.

“Banks are regularly meeting to take stock of this account. To prevent any systemic risk, lenders are working on some plans/alternatives. If the business fails, it will have ripple effect on lenders, investors, employees, pension funds, etc. Already lot of damage has happened to mutual funds. So, we need to find a solution,” said a senior bank executive.

The non-banking financial company (NBFC) sector has faced severe liquidity crunch since September 2018, after defaults on debt by IL&FS and some of its arms.

A senior DHFL official said the company wants to work out a way whereby banks can start lending afresh on an incremental basis for its business to restart. There may be a need to reschedule its liabilities.

Last week, DHFL informed stock exchanges that since September 2018, it has met liability obligations of more than ₹41,000 crore without any recourse to fresh debt funding. The company added that it met all its financial obligations through a combination of internal accruals, sell down of its loan assets, and monetisation of non-core assets.

During an investors’ call on February 4, DHFL chief had mentioned that there is an intent to bring in strategic investor(s) in the company. The board of directors had constituted a special committee to evaluate such interest. However, the company, in a notice to the stock exchanges on June 13, said no further discussions or decision in relation to the same have been made by the board of directors of the company.

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Dewan Housing Finance Corporation Ltd

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