

# As Sebi tightens norms, over 20 listed companies disclose their loan defaults

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**Mumbai:** Following the Securities and Exchange Board of India (Sebi) diktat, over 20 listed companies, for the first time, disclosed loan defaults to stock exchanges on Tuesday. Some of the companies which disclosed default in their loans include Suzlon Energy, Jaypee Infratech Ltd, companies belonging to the Anil Dhirubhai Ambani group.

Sebi on 21 November had mandated that listed entities would need to disclose any default in repayment of principal or interest to lenders, which continues beyond 30 days from the pre-agreed payment date to shareholders within 24 hours of such an event. The rule kicked in from 1 January.

The default for these companies include non-repayment of term loans, defaulting on non-convertible debentures (NCDs), dues related to fund-based working capital, non-fund based working capital and standby letter of credit among others.

The defaults for these companies are considerably high. For instance, Reliance Naval & Engineering Ltd, as per exchange filing, has defaulted on loans to the tune of ₹9,491.96 crore, Reliance Power Ltd - ₹685 crore, National Steel & Agro Industries Ltd ₹1,134.8 crore, Reliance Communication Ltd - ₹32,575 crore, Suzlon Energy - ₹7,256 crore, Jaypee Infratech - ₹6,721 crore.

Suzlon's dues were to be repaid on 19 March, 2019, which is a loan given to the energy company by a consortium of 18 banks led by State Bank of India (SBI) and Indian Renewable Energy Development Agency (IREDA), the company said in a stock exchange filing.

Jaypee Infratech said in its filing that its total outstanding debt stands at ₹13,438 Crore, availed of from various lenders including IDBI Bank, LIC, Corporation Bank and others. Current default stood at ₹6,721 crore.

Under the IBC, creditors of the company have approved a resolution plan submitted by NBCC (India) Ltd

These disclosures are expected to address the information asymmetry currently existing in the public markets to a fair extent.

"The timely disclosures about loan defaults by listed companies will ensure transparency and help investors in listed space take informed decisions," said Indrajit Mishra, Partner, IC Universal Legal.

Over the past year, several listed entities have defaulted on their loan repayments but failed to disclose these to investors. The revelations, whenever they happened, resulted in a sharp decline in prices of securities issued by them.

The current Sebi norm is less drastic than the previous attempt, which triggered disclosure of default of one rupee for one day. Sebi had deferred the implementation of the controversial circular on 30 September 2017 due to Reserve Bank of India (RBI) objections.

RBI had said one disclosure would warrant an additional capital of close to ₹26,000 crore for the banking industry, as per Sebi board agenda put up on the regulator's website. Sebi had then changed it to 30 days in line with RBI's framework for stressed asset resolution.

*Reliance Group companies have sued HT Media Ltd, Mint's publisher, and nine others in the Bombay high court over a 2 October 2014 front-page story that they have disputed. HT Media is contesting the case.*

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