

DHFL to restart lending operations from Monday

Published: February 24, 2020 1:00:18 AM

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Troubled mortgage lender Dewan Housing Finance (DHFL) is expected to restart its lending operations from February 24. Vaijinath M. Gavarshetty, CEO, DHFL, is understood to have informed members of the Committee of Creditors at a meeting held on February 20 that business would resume from February 24. To begin with, the lender will look at disbursing `500 crore every month from internal accruals. DHFL has not disbursed loans since May 2019 following a liquidity crunch. RBI-appointed administrator R Subramaniakumar has taken charge of the company.

The CoC also informed members that 24 applicants have submitted expression of interest (EoI) for the company. Of the 24, 14 applicants had submitted EoIs for the entire business of DHFL. The company had given option to bidders to bid for whole company, or in parts. Under Option I, suitors were invited to submit EoIs for the entire business of DHFL.

Under Option II, prospective resolution applicants were invited to submit EoIs for one or more groups or a combination of any assets in isolation across different groups of DHFL. The administrator had earlier segregated company in three parts for inviting bids — retail, wholesale and slum redevelopment authority (SRA) assets. KKR India Financial Services, Welspun Group, Adani Group, Oaktree Capital, ARCIL Asset Reconstruction Company and Bain Capital were among the suitors who had placed EoIs under Option I to take over the entire business.

A 43 days timeline was also proposed by CoC between last day of submission of resolution plan and voting by CoC members to approve the same. The last day of submitting a resolution plan is April 16, 2020. The company will publish provisional list of applicants by February 26. Thereafter, final list of applicants will be published by March 12.

The lenders meeting also discussed evaluation matrix (EM) for the contenders. SBI caps proposed evaluation matrix with both qualitative and quantitative parameters.

The proposed plan evaluation matrix (EM) consists of four parameters which includes upfront cash recovery, net present value (NPV) including upfront cash, equity allotment to financial creditors and infusion of fresh capital. As per the proposed matrix, 85% score is to be quantitative, 15% qualitative for the applicant, if the applicant is bidding for the whole company under Option I. For all other bidders the proposed matrix for quantitative and qualitative score will be 80:20.

SBI Caps proposed 0-120 days for the bidder to bring in upfront cash. For NPV, members discussed that discounting will be applied based on buckets. In case applicant is providing committed repayment schedule along with security, there will be no discounting. In

case commitment of funds is there but no security issued, 25% discounting will be applied. Similarly, in case of compulsory redeemable preference shares or Security Receipts (SRs), 50% discounting will be applied. SBI caps also suggested that SRs should be considered assuming a tenor of 8 years. The equity allotment has been capped at 49% for a bidder who is bidding for whole company or in groups. Any resolution applicant will have to keep `500 crore earnest money deposit (EMD), if bidding for whole company. If the bid is made in combination of two or more parts, `550 crore needs to be deposited. The minimum deposit is `100 crore for SRA category. DHFL is undergoing resolution process at National Company Law Tribunal.

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