

Business Standard

M&As to pick up once moratorium ends, loan recast takes off, say bankers

Several airlines, hotels, travel firms are likely to move their applications for one-time restructuring once moratorium ends. These companies will look at selling assets of stakes

Dev Chatterjee | Mumbai August 09, 2020 Last Updated at 15:40 IST

With the moratorium announced by the Reserve Bank of India ending on August 31, and the cash flows across a vast majority of companies expected to take more time to recover, a large number of Indian companies are planning to take advantage of the RBI's one-time debt restructuring



plan. Some will sell assets to repay loans and mergers and acquisitions will pick up substantially among the Indian companies, say bankers. Total M&A transactions announced till July-end by India Inc was down to only \$56.73 billion (thanks mainly to Jio deals) as compared to \$88.8 announced last year.

Some will sell assets to repay loans and mergers and acquisitions will pick up substantially among the Indian companies, say bankers.

Several airlines, hotels, travel and tourism companies are expected to move their applications for one time restructuring as soon as the moratorium ends. These companies will look at selling assets of stakes, say bankers.

As per rating firm, Crisil, following scenarios could evolve among the Indian companies for rating action:

- If the restructuring application is approved by the lenders before due date of repayment, the company's credit profile is unlikely to face any sharp rating action;
- If the restructuring application is made before due date of repayment and the lenders are not averse to accepting the application, but a formal approval is awaited, rating agencies may place the ratings under "watch" and the formal restructuring approval will be required to

resolve the watch;

- If the restructuring application is made before due date of repayment, but the lenders have reservations against the application, though the final decision is yet to be formalised, the ratings could be downgraded and also placed on “watch negative”;
- If the restructuring application is made after the due date of repayment and repayments are missed in the interim, the ratings could be downgraded to default category.