

Top Indian firms queue to restructure loans

Dev Chatterjee | Mumbai September 16, 2015 Last Updated at 00:35 IST



The Adani Group's power projects, Reliance Gas and Transportation, and Hindalco Industries have had their loans restructured after they blamed the economic slowdown and land acquisition and environment clearance delays.

In August 2014, the Reserve Bank of India allowed banks to extend the tenure of loans to 25 years to match the cash flow of infrastructure projects, while refinancing them every five years.

Earlier, banks did not lend beyond 12 years for infrastructure projects. Banks allowed Reliance Gas to repay its loan by 2030-31 against the current repayment schedule over the next four years.

The company had debts of Rs 16,010 crore in 2014-15 and its promoter agreed to provide financial support as and when required by the company. The company reduced its finance cost from Rs 868 crore in 2013-14 to Rs 657 crore in 2014-15.

Hindalco's loans worth Rs 14,700 crore were refinanced for its Aditya Aluminium project.

The company now needs to repay only six per cent of its principal amount in the first five years against the 35 per cent repayment in the original terms. Adani Power's subsidiaries, Adani Power Maharashtra and Adani Power Rajasthan, have also refinanced loans worth Rs 15,000 crore, citing difficulties in acquiring coal blocks.

"Often the sacrifice made by banks is higher than that made by the promoters. In fact, banks should insist on promoters reducing their equity in their favour or bringing more of their own capital to the table. The present schemes are just eye wash to benefit large companies," said a partner of Big Four auditing firm asking not to be quoted.

"I do not think we should mix the cash position of companies with this mode of finance as the scheme is specific to projects that are in the infrastructure sector and face difficulty in acquiring land and raw materials or delays over environment clearances. Banks must exercise caution here that deserving cases only are taken up. RBI must monitor these loans carefully," said D R Dogra, managing director and chief executive officer of CARE Ratings.

FY15 LOAN RECAST

(In ₹crore)

Reliance Gas	16,000	
Adani Power	15,000	
Hindalco	14,700	

Source: Banks

Analysts said companies with more than Rs 10,000 crore of debt would seek refinancing under the RBI scheme in the next few months.

"It is just a matter of time till other top corporates join the queue to postpone their loan repayments. It makes business sense for companies to take advantage of the scheme and delay repayments," said the partner of the auditing firm quoted above.