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Reliance Capital ready to shed management control in HFC

JASH KRIPALANI & ABHIJIT LELE
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Debt-ridden Reliance Capital (RCap) is planning to bring in strategic investors in two group entities — home finance and commercial finance businesses. It is open to cede management control in these two entities, if needed.

Blackstone, Carlyle, Brookfield, and Piramal group are in talks to buy a large stake in Reliance Home Finance (RHFL), according to sources. At present, RCap owns 51 per cent in RHFL.

Brookfield declined to comment to an emailed query.

While a range of investors — private equity and exist-

IN FIREFIGHTING MODE

Businesses Reliance Capital is looking to monetise

49%
stake in
Reliance General
Insurance

42.0%
stake in
Reliance Nippon
Life AMC

- Stake sale in Prime Focus
- Seeking strategic investor in home finance, commercial finance units. May cede management control in them
- Exit from media, radio business



SALES IN 2018-19

- Yatra Online stake
- 60%** stake in Codemasters

Sources: Rating agency, company

ing housing finance companies — are believed to be interested in RHFL, the commercial finance company may see a private equity part-

ner coming on board.

When the deal fructifies, it will provide growth capital — which the Anil Ambani-controlled RCap was not in a

position to provide.

The firm reiterated that its plans to deleverage its books at a group level were on track.

“We are right now working on definitive agreements with an investor. We are hoping to do an announcement in two-three weeks. The current market valuation of the asset management company (AMC) stake is at ₹5,300 crore. We expect to get a control premium over this. With the AMC stake sale, general insurance and other non-core business monetisation, we are expecting to get ₹10,000 crore or upwards,” said Amit Bafna, chief financial officer, RCap.

Turn to Page 13 ▶

THE SMART INVESTOR P10

▶ Reliance Capital: Risk-reward unfavourable for investors

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Referring to the monetisation of the stake in Reliance General Insurance business, Bafna said it would be either be an initial public offering (IPO) or it could also be a strategic partner for 49 per cent. They hope to conclude it by June 30.

"The company is talking to strategic investors. They are at an advanced stage. If we manage to conclude that, we get some indication that they are interested. Then, we will not do the IPO till such time. But, if it is not progressing, then, we will look to do the IPO," he added.

RHFL has been facing liquidity concerns, which triggered a rating downgrade from CARE Ratings.

Last week CARE Ratings downgraded long-term debt programme of RHFL to 'D' (grade for instruments in default or expected to be in default), while downgrading other instruments to 'C'. Earlier, these instruments were rated 'BBB-plus' and in some cases, 'BBB'.

The rating agency had said the downgrade took into account delays in servicing of bank facilities and delay in raising funds from asset monetisation, which put liquidity profile of group companies under stress.

The parent (RCap) may not be in a position to extend adequate support to its subsidiaries, CARE Ratings observed.

On Friday, RCap's commercial papers were downgraded from 'A2' to 'A4' by Icra, implying minimal safety regarding timely payments.

RHFL has said it's only facing delay in repayments to the banks. RHFL has been affected by a timing mismatch with regard to the ongoing securitisation/monetisation proposals with banks. The same has resulted in a minor delay on principal repayments, aggregating to only ₹542 crore to five-six banks, and limited only to its bank borrowings. RHFL expects to regularise all such repayments very shortly, the company's statement read.