

## RCap Looks at New Home for Fin Cos

Reliance Home Fin and Reliance Commercial Fin plan to raise funds via sale of fresh equity

Saikat.Das1@timesgroup.com

**Mumbai:** Reliance Home Finance Ltd (RHFL) and Reliance Commercial Finance Ltd (RCFL) — swamped by credit rating downgrades — will seek to raise funds through the sale of fresh equity as holding company Reliance Capital is willing to cede ownership to new investors at the right price, said a top company official.

“We are in talks with international and domestic institutions as we expect an equity capital infusion within a month or two,” said Amit Bapna, CFO of Reliance Capital, part of the Anil Ambani-led

### Fund Inflows

**RHFL and RCFL** to issue fresh shares to new investors through private placements

**Holding co** Reliance Cap willing to cede ownership

**Four top foreign** funds said to be in the race to buy stake in RHFL

**A domestic para** bank with builder loan focus too in talks

**RCFL is in primary** stage of discussions

Reliance Group, which is weighed down by debt. “A large equity infusion will aid growth in future bringing in sizeable money, which will also add to our credence, helping to regain credit rating companies’ confidence.”

The two may try to raise up to ₹3,000 crore, or even higher, said people with knowledge of the matter.

Reliance Capital holds 100% of RCFL and 50% of RHFL, which could drop to half or less after

### LOAN BOOK

**RHFL** ₹17,000 crore

**Loans** are a mix of retail & corporate borrowings



SOURCE: Markets

**RCFL** ₹16,000 crore

**Both aim** to raise about ₹500 crore every month via portfolio sales



selling fresh shares to new investors via private placement while retaining a significant minority stake, Bapna said. He declined to comment on the sum that’s likely to be raised.

“It all depends on the valuation we will receive,” said Bapna, adding that deleveraging is the best long-term solution to the issues facing the two firms.

RHFL has a loan book of more than ₹17,000 crore while that of

RCFL is over ₹16,000 crore — a mix of retail and corporate borrowings. ET reported on Monday that the debt market may see a rise in borrowing costs as liquidity gets squeezed with key investors such as mutual funds holding back on investments in the wake of the downgrades of RHFL and RCFL debt instruments to junk and default status.

**Market Jittery ▶▶ 8**

# Market Jittery

---

## ►► From Page 1

The market has been jittery since the shock default by Infrastructure Leasing & Financial Services (IL&FS) in September last year sparked a liquidity crisis that hit NBFCs.

Any capital infusion through the issue of fresh shares will help in managing the crisis, said a rating analyst.

“But the question is whether new investors would be comfortable in the companies’ corporate and construction exposure considering the sensitivity by the market towards wholesale exposures of NBFCs (nonbanking finance companies) and HFCs (housing finance companies),” the person said.

In the December quarter, RHFL reported a 37.5% rise in net profit to ₹55 crore from the year earlier. Updated earnings figures are not available for RCFL, which is not a listed entity.

Besides, both companies will continue to sell retail loan portfolios to meet near-term debt obligations that are falling due in May and June. In the past six months, they have collectively sold close to ₹8,000 crore good quality loan portfolios.

Coming up this month are scheduled repayments on debentures and commercial papers to the tune of ₹593 crore, ₹1,035 crore in May and ₹718 crore in June, said CARE, a domestic rating company. “Our extended portfolio sales will enable us to meet immediate requirements,” Bapna said. Given funding difficulties since the IL&FS crisis, raising capital from a partner provides a way of expanding the two lending companies.

Both RHFL and RCFL have sold bonds worth about ₹8,000 crore to investors including mutual funds, pension funds and insurers. Mutual funds collectively hold bonds worth nearly ₹2,600 crore. Reliance Asset Management Co. holds about two-thirds of this with SBI Mutual Fund and UTI accounting for the rest.