

R-Cap looks to raise ₹10,000 cr through stake sale to pare debt

Company plans to divest stakes in NBFC, media and insurance units amid a string of rating downgrades

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Reliance Capital Ltd (R-Cap) has drawn up plans to raise up to ₹10,000 crore through stake sales as the diversified financial services company seeks to cut its debt amid a string of rating downgrades.

The Anil Ambani group firm plans to sell up to a 51% stake each in its wholly owned non-banking financial companies—Reliance Home Finance and Reliance Commercial Finance as well as in two media companies—Codemasters and Prime Focus, said Amit Bapna, R-Cap group chief financial officer.

In addition, it plans to divest as much as a 49% stake in two wholly owned insurance firms—Reliance Insurance and Reliance General Insurance, Bapna said.

He said the proposed deals are expected to infuse fresh equity in the company and help reduce the debt at R-Cap. The company had a consolidated debt of ₹49,290 crore as of 30 September.

R-Cap has not appointed any investment bank but is in talks with two-three potential buyers, Bapna said, adding the disinvestments will be in addition to the on-going sale of a 43% stake in Reliance Nippon Asset Management Co., which is expected to close in September.

It, however, remains to be seen whether R-Cap manages to seal the deals, given the distressed situation



R-Cap may divest up to 49% in Reliance Insurance and Reliance General Insurance.

ABHIJIT BHATLEKAR/MINT

in the NBFC sector. "Agreed the NBFC crisis is continuing, but we are ceding management control which is attractive to buyers and we are seeing reasonable interest. In NBFCs, we are looking to sell a 51% stake and in insurance, it could be up to 49%. We are willing to remain just a financial investor," Bapna said.

Rating agencies CARE Ratings and Icria downgraded papers issued by Reliance Commercial Finance and Reliance Home Finance on 26 April. Icria also downgraded commercial paper issued by R-Cap. These rating

actions raised questions on the group's liquidity situation and ability to service debt. Bapna claims there is a "temporary delay in meet-

"We have short-term and long-term measures to tackle the current concerns. These concerns are not specific to Reliance alone but the

TIDING OVER DEBT WOES

R-CAP has drawn up plans to deleverage its balance sheet and reduce the debt it owes to lenders

THE proposed sale is expected to infuse fresh equity and deleverage R-Cap's books by 60-70%

THESE divestments will be in addition to the ongoing stake sale in Reliance Nippon AMC

RATING agencies had earlier downgraded papers issued by Reliance's NBFCs

ing repayments to banks for ₹1,000 crore due to a timing mismatch."

"The others papers which have been downgraded are nowhere near their maturity," he said.

entire NBFC sector which is struggling due to lack of bank funding," said Ravindra Rao, director, Reliance Commercial Finance.

On 26 April, CARE downgraded

bank facilities issued by Reliance Commercial from BBB+ to D. It also downgraded debt of ₹5,000-crore of Reliance Commercial Finance to C from BBB+. The agency cited rescheduling of non-convertible debentures and delay in repaying bank loan facilities as the rationale for its action.

"Even here the delay is not on interest but the principal," said Rao, adding that the liquidity concerns are "short term" which the group is trying to resolve through securitisation of its asset portfolio.

"In the short term, we will securitize our portfolio and in the long term, we are focusing on 51% stake sale, this will infuse liquidity into the companies," Rao said.

Bapna also said the group is seeking a review of the rating actions. "Any rating action just based on liquidity without looking at the fundamentals of the companies cannot be fair. The agencies also failed to consider that a stake sale process is ongoing. They could have waited for some more time

before the downgrades," he said. The management of R-Cap is in touch with seven asset management companies which have an exposure to these papers across 67 schemes.

Reliance Group firms have sued HT Media Ltd,

Mint's publisher, and nine others in Bombay high court over a 2 October 2014 front-page story that they have disputed. HT Media is contesting the case.