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SEVEN HILLS DEBT RECAST IN DOUBT AS AXIS BANK TALKS TOUGH

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The article talks about the restructuring case referred to CDR Cell of Seven Hills Healthcare, a multispecialty hospital & pending approval from its lead bank with a quote by **Mr. Laxman Kumar Nasarpuri, Partner, Financial Pundits.**

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SevenHills debt recast in doubt as Axis Bank talks tough

SevenHills Healthcare, a multispecialty hospital, already referred to the Corporate Debt Restructuring (CDR) cell may not be admitted by the corporate debt restructuring cell. Private sector lender Axis Bank, which has around 460 crore exposure out of company's total debt of Rs 763 crore has not given its approval on the proposed loan recast.

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SevenHills Healthcare, a multispecialty hospital, already referred to the Corporate Debt Restructuring (CDR) cell may not be admitted by the corporate debt restructuring cell. Private sector lender **Axis Bank**, which has around Rs 460 crore (or nearly 55%) exposure out of company's total debt of Rs 763 crore has not yet approved of the proposed loan recast, a person associated with the restructuring exercise told **moneycontrol.com**.

The hospital recently was in the news when Bollywood star Aishwarya Rai Bachchan delivered a baby girl there.

"Axis Bank has not yet formed their mandate for this debt restructuring case. In a meeting held in August, their nodal officers were apparently not keen for SevenHills admission into CDR cell. The next meeting will be held on August 12 when the final decision will be taken on SevenHills. The case will be rejected if the lead lender does not give consent," said the source on condition of anonymity.

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The CDR cell, under the regulatory framework of the Reserve Bank of India (RBI), is a joint forum, which caters to an official platform for both the lenders and borrowers to amicably evolve policies for loan restructuring. It is a process when a borrower is unable to make timely repayments and approaches the lender to dilute the original terms under which the loan was sanctioned. This could include lowering of interest rates, or extension of tenure.

A consortium of 12 lenders (all CDR members) jointly lent Rs 763 crore to SevenHills in the form of working capital (around Rs 60 crore) and term loans (around Rs 702 crore). **ICICI Bank**, not a part of this CDR exercise, extended a car loan below Rs one crore. According to norms, a bank having 20% or more exposure to working capital can refer the loan case to CDR cell. Some banks referred the case in August.

However, the forum will admit the case only when 75% of the banks (by value) and 60% of them (by number) agree to resolve the case under the CDR mechanism. If Axis Bank with the majority share of lending disagrees with other banks on the CDR, the healthcare company will be out of CDR

...trajectory. The rest of the creditors include State Bank of Hyderabad, Punjab & Sind Bank, Union Bank of Bank, Allahabad Bank and others.

A mail sent to Axis Bank on last Friday remained unanswered at time of publishing this article. In recent time, the bank looks to be the first private sector lender with fair share of restructured loans in a single CDR case as compared to other two top lenders: ICICI Bank and HDFC Bank.

"If the security cover (collateral) is of very good quality, a bank will not be interested for CDR. The lender would rather go for one time settlement (OTS) to offload the loan from its books. The lender may also force the promoter to raise funds from other sources or would arrange liquidation of the collateral," Laxman Kumar Nassarpuri, Partner, Financial Pundits, an advisory firm.

Good collateral means that the value of security cover given against a loan is considerably higher than the debt. However, banks without enjoying this are generally keen on CDR mechanism to recover their debt.

According to market grapevine, SevenHills defaulted due to wrong decisions. Some experts are of opinion that a company which is in debt trouble due to mismanagement should not be encouraged to go for CDR.

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