

As need for capital rises, ARCs to opt for multi-platform model

Partnership with large funds will be the way forward, says Assocham-Crisil report

OUR BUREAU

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Asset reconstruction companies (ARCs) would increasingly opt to become part of a multi-platform business model with co-investors/large funds to bring in capital, and stay relevant, according to a report by Assocham and Crisil.

This is because the existing capital base of ARCs cannot absorb the stressed assets available in the market.

Forecasting gross non-performing assets (GNPAs) to rise to ₹9.5 lakh crore by March-end 2018 (from ₹8 lakh crore as at March-end 2017), the report said the opportunity for ARCs is significant.

Given that banks are expected to make higher provisioning over and above those made for stressed assets, they may sell the assets at lower discounts, thus increasing the capital requirement of ARCs.

"Capital remains a major challenge. Increased stringency in the provisioning norms for investment in SRs (security receipts) will push up cash-based sale of stressed assets.

"Furthermore, the Reserve

Bank of India has raised the net owned funds for existing ARCs to ₹100 crore (from ₹2 crore) effective April 1, 2019. All this will, in turn, necessitate higher capital requirement for ARCs," said Ashu Suyash, MD and CEO, Crisil.

Partnership route

Given the capital constraints, partnership is the way forward. Crisil believes that ARCs would increasingly opt to become part of a multi-platform stressed assets play rather than going it all alone.

Such a platform will comprise stressed asset funds (which with their significant technical expertise in resolution/turn-around can directly and opportunistically invest in stressed companies or SRs); ARCs; and non-banking finance companies (which can plug the financing gap and can also co-invest in SRs).

The Assocham-Crisil report said of the 24 ARCs in India, around six are comfortable in terms of the revised net-owned funds requirement and other stringent regulations.

However, ARCs that struggle



Given the capital constraints, large players with deep pockets will dominate the market and smaller players will consolidate with larger ones

to infuse capital or raise external funding, and are short on specialist manpower, will get marginalised further.

Structural shift

Going forward, Crisil sees a structural shift in the ARC industry.

Large players with deep pock-

ets will dominate the market and smaller players will consolidate with larger ones, given the capital constraints. However, discounts will increase, because valuation becomes critical with more and more cash deals (which further increases the capital requirement for acquisition).

Also, the percentage of SRs with banks for new assets will decline, while the number of cash deals will increase.

Given the structural shift due to the swirl of regulatory changes that have kicked in recently, Crisil assessed that the growth of ARCs' assets under management (AUM) is expected to come down significantly. This is primarily because of capital constraints.

The credit rating agency expects AUM growth to fall to around 12 per cent until June 2019 (from 22 per cent year-on-year growth in June 2017).

"Sales are expected to be impacted in the near term, as both sellers and buyers adjust to the new norms.

"Having said that, it is important to note that the AUM is still expected to reach almost ₹1 lakh crore by June 2019 (from ₹78,400 in June 2017), and that is fairly sizeable," the report said.

Male grooming industry to touch ₹35k cr in 3 years



NEW DELHI: The male grooming industry is expected to grow at a CAGR of 45 per cent to touch Rs 35,000 crore in next three years, due to rising aspiration among men to look better and rapid urbanisation, says an Assocham report.

The male grooming industry currently stands at Rs 16,800 crore in India, the report said, adding that the market grew over 45 per cent in the last five years on the back of increasing per capita income and urbanisation.

Interestingly, men in the age group of 25 to 45 outpace women in spending more money on grooming and personal care products, the survey noted.

Besides, it highlighted that men in smaller towns are displaying greater desire for grooming, especially in the whitening and fairness segment.

"Due to changing demographics and lifestyles, deeper consumer pockets, rising media exposure, greater product choice, growth in retail segment and wider availability

Interestingly, men in the age group of 25 to 45 outpace women in spending more money on grooming and personal care products, notes Assocham survey

are the reasons for sharp rising demand of cosmetics among Indian men," the industry body said in the report.

While shaving products currently control the largest market share in terms of revenue in Indian men's grooming market, deodorants and anti-perspirants have the second largest market share.

The survey further said there has been sharp increase in beauty salon and spa in the country and it is estimated that about 40-45 per cent of total salon business come from men's treatment.

एनपीए मार्च अंत तक 9.5 लाख करोड़ होने की आशंका

■ एजेंसी। नई दिल्ली.

भारतीय बैंकिंग क्षेत्र के लिए पिछला कुछ वक्त बहुत बुरा रहा है. इसमें भी सरकारी बैंकों के हालत ज्यादा खराब चल रहे हैं. एक अध्ययन के मुताबिक बैंकों की सकल गैर-निष्पादित आस्तियां (एन.पी.ए.) इस साल मार्च अंत तक 9.5 लाख

करोड़ रुपए तक पहुंच जाने की आशंका है जो पिछले वर्ष इसी अवधि में 8 लाख करोड़ रुपए थी. एसोचैम-क्रिसिल के अध्ययन के अनुसार बैंकिंग क्षेत्र में बड़ी मात्रा में दबाव वाली परिसंपत्तियां परिसंपत्ति पुनर्गठन कंपनियों के लिए एक बहुत बड़ा अवसर है. एन.पी.ए. की समस्या के समाधान में इनकी भूमिका

महत्वपूर्ण है. हालांकि, रिपोर्ट में परिसंपत्ति पुनर्गठन कंपनियों की वृद्धि भी घटने की आशंका जताई गई है. इसकी प्रमुख वजह उनका पूंजी आधार घटना है. रिपोर्ट के अनुसार, "जून 2019 तक परिसंपत्ति पुनर्गठन कंपनियों की वृद्धि घटकर 12 फीसदी आने की उम्मीद है, वहीं प्रबंधन अधीन परिसंपत्तियों के बढ़कर एक लाख

करोड़ रुपए तक पहुंचने की संभावना है. रिपोर्ट में कहा गया है कि सकल एन.पी.ए. मार्च 2018 के अंत तक बढ़कर 9.5 लाख करोड़ रुपए होने की संभावना है यह कुल ऋण का करीब 10.5 फीसदी है, वहीं दबाव वाली परिसंपत्तियों के 11.5 लाख करोड़ रुपए का आंकड़ा छूने की उम्मीद है.