Securitization, a New Emerging Secondary Market

An Overview of MLS Division

MLS Division offers services across following sectors:

- Banking Sector
- Telecom Sector
- FMCG.
- Media & Entertainment
- Accounting Advisory Services

Banking Sector

On further streaming of the Banking Sector, we undertake the following activities:

1. <u>Channel Financing</u>
2. <u>Pre Sanction Due Diligence.</u>
3. <u>Post Sanction Pre Disbursement Documentation.</u>
4. <u>Post Sanction Post Disbursement</u>:
    - Credit Monitoring.
    - Monthly Stock Statements Uploading.
    - Stock Audits.
    - Inventory Funding

Banking Sector (Continued)

3. <u>Asset Reconstruction Company</u>

   - NPA Valuation (Asset Valuation).
   - Business Valuation.

Background

- 1st assignment of portfolio of one of the largest public sector banks with 30 cases.
- Stress on quality, timely delivery and fine tuned valuation.
- Reengineering of process & redesigning of the presentation template/formats to allow permutations combinations by changing discount parameters.
- Flow of assignments continued with new portfolios for different Banks/ FIs.

Background (Continued)

- Haribhakti Group preferred as a team leader and coordinator with their legal & technical valuer.
- More than 550+portfolio cases, for which DD and valuation done.
- Total value of principal amount of NPA portfolio cases Rs. 3000 Cr plus.
- Industries covered: Textile, Spinning, Steel, Power, Light & Heavy Engineering, Chemicals, Pharmaceuticals (Bulk Drug & Formulation), Pesticides, Fabrication & Machine shops, Paper, Plastics etc.
- % valuation varying between as low as 0.06% to as high as 45% - appreciation of real estate price and well managed assets main cause for high NPA value asset.

Due Diligence/Diagnostics

- Preliminary Information memorandum (PIM) supplied by Bank through the client.

- Revalidation of data and bridging the shortcomings.

- Study of internal data/notes/financials of the Borrower account maintained by Bank.

- Interaction with dealing officer/Sr. Management of the Bank.

Focal Areas

- Nature of facilities, sharing pattern, security and priority of charge, old/current valuation reports and revalidation through inquiries in local market and other websites, guideline rates and salability etc.

- Assessing the legal status, proceedings at BIFR/AAIFR, DRT/DRAT, High Court and nature of objections, encroachments over property, alienations of assets, SARFAESI action, Borrowers past track records and local/political influence of borrower important for deriving valuation.

- Action taken by other lenders.

Deliverables

- Assessing the possibility of resolution.

- Estimated value of realization of securities & the time frame for resolution.

- Suggested resolution strategy such as debt aggregation, negotiated settlement, forced possession etc.

- Industry Scenario & Scope for revival under DRS (For Stand Alone Cases)

New Entrants

- Healthy growth of Secondary Market has lead to entry of new players such as ASREC, Kotak Bank, Foreign Banks-Deutsche Bank, Bank Of America, SCB & Pvt. Players Like J. P. Morgan etc.

- Reliance Securities (RARC) awaiting License from RBI.

- Many More Pvt. and Foreign players planning a fresh investment through existing Securitisation companies or through Pvt. Agencies.

Future Prospects

- With more players in the fray & Basel Committee norms for the banks, Secondary NPA market to grow at faster rate.

- Improvisation of Legal Process & Government Policy to Support secondary market essential.

- Mergers/Takeovers & Management Re-organization essential to put the resources to effective use.

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