

Reforms will boost stressed-asset deals, says JM Financial's Kampani

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MUMBAI

Stressed-asset deals will increase this year as bad loans rise and reforms pushed by Prime Minister Narendra Modi's government start to bear fruit, according to the nation's top investment banker.

Interest will come from both strategic buyers and private equity (PE) firms, said Vishal Kampani, managing director of JM Financial Ltd, the former joint venture partner of Morgan Stanley in India.

JM Financial was the No. 1 adviser on Indian mergers and acquisitions in each of the past two years, working on \$51.6 billion of deals over the period, data compiled by *Bloomberg* show.

"The recent rules which grant foreign ownership of asset reconstruction companies (ARCs) and the bankruptcy

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JM Financial managing director Vishal Kampani.

code will accelerate the pace of mergers and acquisitions in the stressed asset space," he said.

Stressed assets—made up of bad loans, restructured debt and advances to companies that can't meet servicing requirements—have risen to about 16.6% of total loans, the highest level among major economies.

The government has over-

hauled century-old laws that regulate insolvency and allowed foreign investors to take full control of ARCs to help rid banks of bad debt that's holding back credit growth and job creation.

Some large Indian firms have already started to deleverage. The billionaire Ruia brothers agreed in October to sell control of the nation's second largest refinery to a group of investors including Rosneft PJSC and Trafigura for about \$13 billion, including debt.

Jaiprakash Associates Ltd, which had defaulted on debt repayments, said last year it will sell cement capacity across five states to UltraTech Cement Ltd at an enterprise value of Rs16,190 crore (\$2.4 billion).

JM Financial advised on the Ruias's sale of Essar Oil Ltd, along with Arpwood Capital Pvt., a local adviser which ranked number No. 2 on Indian transactions last year, according to the *Bloomberg*-compiled data. **BLOOMBERG**