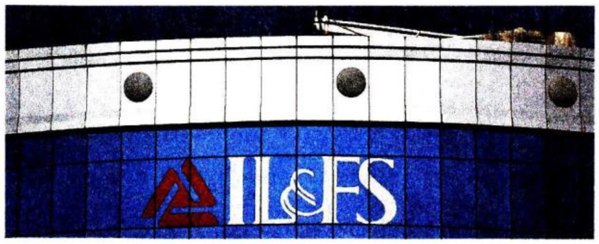
The Economic Times - 16th January 2019

₹15,000-20,000 CRORE INVESTMENTS These funds own the bonds or have given loans to the failed infrastructure lender and its group companies

Provident, Pension Funds Face Losses From IL&FS Exposure

Saikat.Das1
@timesgroup.com



Mumbai: Provident and pension funds of thousands of middle-class salaried employees face the spectre of losing thousands of crores of their nest egg as analysts estimate these funds' investments in Infrastructure Leasing & Financial Services (IL&FS) and group companies to be between ₹15,000 crore and ₹20,000 crore, said three people familiar with the matter.

Many of these funds handling the retirement funds own either bonds or have given money as loans to the failed infrastructure lender amid hopes that the triple A rated paper would be safe and was fetching higher returns, said those people, who did not want to be identified.

While there are no precise numbers available due to the very opaque nature of these funds, experts say that the amount could be as high as ₹20,000 crore after providing for holdings by others, such as banks, mutual funds and other wealth management schemes.

UBS analysts project various scenarios and estimate that lenders may have to take haircuts ranging from ₹11,300 crore to ₹28,500 crore.

Of IL&FS' total ₹91,000 crore, 61% is in bank loans and 33% is in debentures and commercial papers, regulatory filings show. While loans from banks show that Yes Bank, Punjab National Bank, IndusInd Bank and Bank of Baroda have high exposure, there is little data to know which provident, pension funds own how much of the junk debt paper.

"Provident funds are now estimated to be holding 40% of total bond IL&FS group outstanding," said an investment banker who had sold many such bonds. He preferred to be anonymous. IL&FS declined to comment for this story.

The moratorium granted by the National Company Law Tribunal on payments by IL&FS to creditors has thrown the market into disarray. While there is little resolution in sight, even some of the companies generating cash have stalled payments to lenders. In this, it is not clear how pension funds would account for their losses.

Continued on ▸▸ MONEY MATTERS