



TALK TO EXPERTS - 22

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Among many factors that led to languishing of the Road projects, one is attributed to Corporate Debt restructuring that has been affected in many SPV debts.

Concessionaire who is unable to service debt makes a proposal to the lenders to restructure debt. To understand at least at a minimum level, we have to look into two integral components of the proposal; they are corporate debt restructuring (CDR) and Special Purpose Vehicle (SPV).

What is Corporate Debt Restructuring (CDR)?

It is a mechanism when the financial institutions and the banks which have lent the money to a concessionaire come together and reorganize the debts of the concessionaire in such a way that they protect their money and find it expedient to support the concessionaire with some more financial assistance to continue with the work.

Sometimes, a corporate or a concessionaire finds himself up to the neck in financial difficulties; with the result, he is not able to service debt to his lenders, the financial institutions and the banks. Reasons for the financial crisis may be beyond his control and sometimes, they may be internal as well. The lenders do not get their dues for a long period. In

effect, the lenders have to face losses, that is, the money that must come to them in time does not come to them or comes to them very irregularly all the time with some dues entailing. Clearance of dues lags much behind.

In case, a concessionaire has credit facilities in more than one institution, all the lenders, both financial institutions and the banks come together to form a forum. Their aim is to revive the business so that they too get their share of dues in time. First of all, they assess whether the business is viable. If the business model of the concessionaire is found viable, they proceed to restructure the debt load. They restructure payment-schedule in such a way that the borrower, the concessionaire gets some breathing space for payments. Depending on the viability of the business condition, the banks and the other lending financial institutions may even consider it fit to support the concessionaire with some additional loan to stabilize the business. All these activities form the part of the Corporate Debt Restructuring. The important aim of the banks and other institutions that engage themselves in CDR is taking all possible positive steps to get their money back by helping the viable concessionaire.

We will see in our next session the other fact: Special Purpose Vehicle.