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A GROUP OF LENDERS HAVE ALREADY APPROVED PLAN

SBI Wants IL&FS to Declare ITPCL Value Before Debt Rejig

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Mumbai: State Bank of India (SBI), the country's largest mass lender, and IL&FS seem to have different views on debt restructuring at the bankrupt financier's power joint venture entity — ITPCL.

SBI wants an assessment of the liquidation value even as the restructuring of ITPCL's ₹9,000-crore debt was approved by the majority of ITPCL creditors. SBI, a minority owner of debt, is seeking liquidation value before signing on the proposal.

"SBI wants IL&FS to arrive at the liquidation value of ITPCL, as it has not agreed to the restructuring of ITPCL debt," a banking source said. "It has not received anything as part of the debt servicing obligation undertaken by ITPCL as on September 30, 2023, as a result of the dissent."

IL&FS, as part of its resolution framework, is not obligated to carry out a liquidation assessment for this asset as the proposal approved by lenders, led by PNB, is of restructuring of debt and not of sale.

A spokesperson at SBI did not respond to a request for comment.

"IL&FS, as part of its approved resolution framework, is not obligated to undertake liquidation value assessment in case of restructuring of ITPCL debt," said an IL&FS spokesperson.

Last month, more than half a dozen lenders led by Punjab National Bank approved a restructuring plan for the company reaching the minimum requirement of 66% lenders by value.

However, lenders have not got any formal communication from SBI indicating its dissent or consent to approve restructuring of debt, the source said.

Under the plan, 59% of ITPCL's debt, which is ₹5,310 crore, has been classified as sustainable. A portion of this will be converted into term loans with a repayment schedule extending until March 2038, along with an upfront payment of 35%.

The remaining sustainable debt has been categorised as funded interest term loans (FITLs) with upfront payments ranging from 25% to 70% this year, and repayments scheduled up to March 2038. These upfront payments will be sourced from the cash reserves within the company.

The remaining 41% of unsustainable debt, amounting to ₹3,690 crore, will be converted into non-convertible debentures bearing a coupon rate of 0.01%, with payments due in March 2040.

ITPCL is a special purpose vehicle established by IL&FS and operates a 3,180-MW coal-based thermal power plant in Cuddalore, Tamil Nadu. Currently, the company is running a 1,200-MW (2×600 MW) power plant, and if the restructuring is successfully resolved, it will mark one of the largest accounts to be resolved since the financial and infrastructure company faced insolvency in September 2018.