



# THE HINDU

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## **NTADCL, IL&FS spar over debt repayment**

### **CHENNAI**

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# Dispute between IL&FS and New Tirupur Area Development Corporation over debt repayment

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CHENNAI

A dispute has arisen between New Tirupur Area Development Corporation Limited (NTADCL) and its shareholder Infrastructure Leasing & Financial Services Ltd. (IL&FS) over debt repayment.

IL&FS has moved the National Company Law Tribunal (NCLT), Mumbai, alleging that NTADCL unilaterally began defaulting on servicing its debt. The NTADCL management has denied the charge.

In 1995, NTADCL was incorporated as a special purpose vehicle and public utility to improve potable water and sewerage infrastructure in Tiruppur through an integrated water supply and sewerage project. It was a public-

private partnership to provide water services on commercial terms.

In 2000, Tamil Nadu Water Investment Company Ltd (TWIC) was formed as a promoter company to route all investments into NTADCL. The Tamil Nadu government owns a 46% stake in TWIC and IL&FS, 54%. TWIC holds 28.72% stake in NTADCL. Overall, the Tamil Nadu government owns 38.32% stake in NTADCL, while IL&FS owns 25.88%. The total project cost of ₹1,023 crore was funded with an equity capital of ₹322.7 crore, a subordinate debt of ₹86.5 crore and a financing facility of ₹613.8 crore. The financial closure was done in March 2002.

The debt of ₹613.8 crore was arranged from various banks and financial institu-

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tions. Of this, IL&FS brought in ₹180 crore as senior loan, of which it raised ₹90 crore from the U.S. Agency for International Development (USAID). On this loan, IL&FS made deductions of about ₹41.24 crore and disbursed ₹48.76 crore to NTADCL.

Due to the deteriorating financial position of NTADCL, a corporate debt restructuring (CDR) plan was implemented on March 29, 2012 as part of which the Tamil Nadu government infused ₹150 crore into NTADCL. According to the restructur-

ing plan, 30% of the IL&FS debt was converted into equity. After the implementation of CDR, the senior loan repayable by NTADCL was ₹120.27 crore. NTADCL had to make repayments from April 2013 to March 2026, as per the petition filed by IL&FS before the NCLT.

NTADCL has considered only repayment to the extent of ₹48.76 crore of the USAID component and alleged that it had earlier made excess payments to IL&FS and stopped payment in this regard, IL&FS said. NTADCL management unilaterally began defaulting on servicing IL&FS debt, which was being serviced with interest till December 2022, said a spokesperson from IL&FS Group. As per IL&FS's petition, the dues payable by

NTADCL are to the tune of ₹52.92 crore.

Attempts to resolve the issue through discussions have not yielded any favourable results, leaving IL&FS with no choice but to take up the issue with the NCLT, the spokesperson added. However, a senior official from NTADCL denied the IL&FS's charge.

The issue is about short disbursement made by IL&FS on the USAID component. The non-disbursed amount cannot be called debt, he said. The official further alleged that it was a case of fraud. NTADCL has paid an excess amount of ₹250 crore to IL&FS. The decision to stop payment is based on legal opinion and to protect the State government and public interest, the official said.