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MASTER RESTRUCTURING aims to distribute ₹3,134-cr in cash and repayments up to 2038 and NCD redemption up to 2040

Majority of Lenders of IL&FS TN Power Co Seal Loan Recast Deal

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Mumbai: A majority of the lenders have signed an agreement to restructure the ₹9,000-crore debt of IL&FS Tamil Nadu Power Company (ITPCL), allowing them to distribute the ₹3,134 crore cash in the company as early as next week after the board of the debt-laden financial and infrastructure conglomerate gave its approval, people familiar with the process said.

The master restructuring agreement (MRA) was approved by a majority of lenders last week. This envisages a loan repayment schedule up to March 2038 and redemption of non-convertible debentures (NCDs) by March 2040.

"Seven out of 12 lenders have approved the plan which means that it meets the minimum votes required by Reserve Bank of India (RBI) norms according to the June 7 circular. Lenders have already signed an inter-creditor agreement in this case and if all goes according to plan the restructuring approval will allow banks to divide the cash accumulated in the company as an interim distribution as part of the restructuring plan," said a person familiar with the process.

RBI rules mandate that 75% of the lenders by value and 60% by number have to ratify a restructuring plan following which it has to be approved by the borrower. Since the ITPCL case was being heard in the National Company Law Appellate Tribunal (NCLAT), the plan has to be submitted to that authority.

An IL&FS spokesperson confirmed that the restructuring plan has been approved by lenders and its implementation is underway.

"Any distribution of cash within the company will form part of the restructuring process and will be undertaken only post restructuring is complete and as per terms approved," the spokesperson said.

According to the plan, 59% of ITPCL's debt or about ₹5,310 crore has been classified as sustainable. Part of this will be converted to term loans with a repayment schedule of up to March 2038 with an upfront payment of 35%.

Under the plan the sustainable debt will be paid until 2038 and the unsustainable part will be converted to 0.01% coupon NCDs payable in 2040

The rest of the sustainable debt has been marked as so-called funded interest term loans (FITLs) with upfront payments of between 25% to 70% this year and repayment up to March 2038. The upfront payment will come from the cash accumulated in the company. The 41% or ₹3,690 crore of unsustainable debt will be converted to non-convertible debentures with a coupon of 0.01% payable in March 2040.

"Lenders are hoping to complete all formalities next week so that the cash collected in the company can be distributed to be accounted for in the current quarter. Most lenders expect a full provision write-back from this account," said a second person aware of the details.