ACQUISITION OF ₹9,000-CR DEBT

# Creditors to IL&FS Tamil Nadu Power Reject NARCL's Offer

## Bad bank's bid below expectations; lenders to restructure debt for better recovery

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**Mumbai:** The Committee of Creditors for IL&FS Tamil Nadu Power Company (ITPCL), a consortium of 17 banks led by Punjab National Bank, have turned down a proposal from the National Asset Reconstruction Co (NARCL) to acquire the debt of ₹9,000 crore and is moving ahead with a debt restructuring plan.

During a meeting held last week, the lenders' committee rejected the government-backed bad bank's offer, a source said.

Lenders felt that NARCL's offer of ₹4,700 crore in a 15:85 structure was below their recovery expectations through the debt restructuring process. Under 15:85, 15% of the amount is paid upfront while the remaining is paid by way of security receipts.

"Lenders have rejected NARCL's offer as the company has cash of around ₹3,000 crore which will improve their recovery in case of restructuring," a source said.

There is a dispute regarding the distribution of cash accumulated within the company over the past five years. While some lenders want cash to be distributed prior to receiving approvals for the restructuring, the company insisted on obtaining all restructuring approvals first, leading to a deadlock, as reported by ET.

Now, the ₹3,000 crore will form part of the restructuring and will be used to repay debt once all restructuring formalities are complete, the source added.

"ITPCL is pursuing a restructuring route to resolve this asset. The Board and Lenders of ITPCL are all on board and have already approved the restructuring of debt which is at an advanced stage of completion," said an IL&FS spokesperson.

**The company has ₹3,000 cr cash, which will improve recovery once the debt restructuring is completed**

Spokespersons of NARCL and PNB did not respond to requests for comment until press time.

ITPCL's debt will be restructured under the prudential framework for the resolution of stressed assets, where a part of the debt of ₹4,250 crore will be categorised as sustainable and the remaining as an unsustainable portion.

The total loan of the entity is ₹9,116 crore. As for the sustainable debt owed to financial creditors, the expected recovery will be 54% and paid over a 13-year period. The plan is to pay 34% or ₹450 crore out of the total outstanding of ₹1,300 crore owed to operational creditors within a five-year timeframe.