

16 months & Rs 100-cr fees later, no sign of IL&FS resolution plan

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SIXTEEN MONTHS after the new board took charge of Infrastructure Leasing & Financial Services (IL&FS) Group and having spent nearly Rs 100 crore in fees, the new board under the chairmanship of Uday Kotak has not been able to get the resolution plan approved.

This has led to delay in the overall resolution of IL&FS debt. Since the new board took over in September 2018, IL&FS has only been able to complete the sale of its wind energy assets,

thereby leading to a debt resolution of Rs 4,300 crore out of the total debt outstanding of around Rs 94,000 crore.

Two board members and an official with an advisory firm told *The Indian Express* that since the resolution process is not moving forward there is a level of discontent creeping among those involved in the process.

"Already roughly Rs 100 crore has been paid in legal fee and payments to the resolution professional and enough time has been spent. However, things are not moving the way it was expected," said an IL&FS board member on condition of anonymity.

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An official with one of the advisory firms (appointed by IL&FS board in October 2018) said that the progress isn't encouraging. "Since the resolution framework is not ready and the meetings are not being productive any more, I don't think it makes much sense to attend these meetings," he said.

One source said that getting the resolution proposal approved is only the first step that will then be followed by bidding and handing over of the company to the successful applicant.

An IL&FS spokesperson declined to comment on questions asked over the slow progress of the resolution and on fee payment of almost Rs 100 crore.

Things came back to square one last Friday as creditors for Amber and Red category companies raised questions on the jurisdiction of the National Company Law Appellate Tribunal (NCLAT) and said that the appellate tribunal allowing category wise (Green, Amber & Red) resolution was "hampering their interests".

To simplify the resolution process of IL&FS and its 348 subsidiaries, the new board of the company had classified all the companies into three groups namely Green, Amber, and Red,

based on their capability to service debt obligations.

At the time of classification, companies which could service their debt obligations to both secured and unsecured creditors were placed in the Green category, while those which could service their debt only to the secured or senior secured creditors were placed in the Amber category. The group companies of IL&FS which were in no position to service their debt to either secured or unsecured creditors were placed in the Red category.

In a submission before NCLAT on February 21, 2019, the new IL&FS Board submitted the classification of 151 companies – 50 were Green, 13 Amber, 80 Red and eight were in different stages of resolution.

The remaining (almost 200 entities) were yet to be classified.

As of May 2019, there were nearly 55 companies in the Green category with debt of close to Rs 12,000 crore. IL&FS officials had then hoped that these 55 companies would settle all their debts by July 2019. However, even these companies are yet to fulfil their debt obligations.

For companies in the Amber category, though the new board of IL&FS floated expressions of interest for open public sale, the bids received for most firms were "significantly lower than the average fair market value".

This prompted the new board to change tact and approve the implementation of an Infrastructure Investment Trust (InvIT).

In the Amber category, for companies like Moradabad Bareilly Expressway, Jharkhand Road Projects Implementation Company, Baleshwar Kharagpur Expressway, among others, the bids received were less than their fair market value.

For others such as West Gujarat Expressway, Easy Hyderabad Expressway, and Barwa Adda Expressway, no bids were received, according to the latest affidavit submitted by the new board. These companies have an external debt of Rs 7247 crore, and internal fund-based debt of Rs 4107 crore.

The debt resolution for most of these companies is stuck at some stage be it in talks with lenders or debt restructuring ap-

proval by the stakeholders.

For the nearly 83 Red companies, the new board has, in its latest affidavit, mentioned there were as many as 25 companies for which no resolution was possible in the near future.

These companies have a total external debt of Rs 49,110 crore, while the internal fund-based debt on them is close to Rs 7,833 crore.

For some other IL&FS companies, the resolution has not moved ahead so far as they themselves are holding companies for other group subsidiaries. The resolution for these companies, the new board had said, "can be attempted only after the resolution of underlying entities".

IL&FS and its subsidiaries had a total debt of close to Rs 94,000 crore when the NCLAT had in October 2018 imposed a moratorium on debt-repayments.