

## COVID-19 IMPACT

# IL&FS reaches out to Singapore bondholders as asset sale delayed

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**FACED WITH A** winding-up petition in a Singapore court, an overseas subsidiary of an IL&FS group entity has told its bondholders to defer the plea, as a proposed asset sale in China has got delayed due to the Covid-19 outbreak.

The company said it wants to engage in a consensual discussion with them regarding its obligations.

ITNL Offshore PTE Ltd (IOPL), the Singapore-based subsidiary of IL&FS-owned ITNL, has urged its bondholders to defer the winding-up petition and allow its group company, IIPL, to complete the sale of stake in a Chinese Expressway project to resolve around ₹2,500 crore of debt and pay its secured and unsecured creditors.

The company said it is "committed to engaging in consensual discussion with trustees with regard to its obligations under the Notes and distribution of any recoveries from repayment of loan".

But its proposed asset sale has got delayed due to the Covid-19 pandemic in China and worldwide.

Global banking giant HSBC has filed the winding-up petition in a Singapore court against the subsidiary of IL&FS Transport Services (ITNL) for recovery of its dues. The plea was filed by HSBC as a trustee of the bondholders.

In the first such case against a group entity of crisis-hit Infrastructure Leasing and Financial Services (IL&FS) Group, the Hongkong and Shanghai Banking Corporation (HSBC) is seeking to recover its funds parked in bonds worth RMB 1,000 million (over ₹1,050 crore) maturing in 2021, which were issued by IOPL.

The case was last heard on March 20 and deferred to April 17, 2020.

IOPL and IL&FS International PTE Ltd



**An overseas subsidiary of an IL&FS group entity said it wants to engage in a consensual discussion with the bondholders regarding its obligations**

(IIPL) are two Singapore-based subsidiaries of ITNL.

IOPL had raised \$141 million dim-sum bonds, at 7.5%, payable in 2021, guaranteed by ITNL.

These funds were advanced as unsecured loans to IIPL to refinance its liabilities. IIPL holds investments in China, the UAE and the US with Chongqing Yuhe Expressway Co Ltd (CYEL) being the biggest asset under IIPL.

IOPL said its only material asset was the unsecured loan advanced to IIPL and it was expecting to realise the same once the sale process commenced by IIPL of its stake held in Chongqing Yuhe Expressway was completed.

As per information received from IIPL, the sale process was progressing well, but has been temporarily affected by the ongoing coronavirus crisis that will result in slight delay in concluding the process.

"The Issuer (IOPL) considers that the Petition and any other action which may impact the Sale Process could potentially be detrimental to the interests of the note-

holders, as it may either delay or complicate the sale process. In such circumstances, recoveries from the shares held by IIPL in Yuhe (and hence recoveries of the Issuer on the IIPL Loan) are likely to be substantially lower than anticipated pursuant to the Sale Process," the regulatory filing said.

ITNL has been trying to resolve its debt and meet payment obligation towards secured creditors and unsecured debt of bondholders through stake sale in the biggest overseas asset under IIPL — Chongqing Yuhe Expressway Co Ltd (CYEL).

IL&FS holds 49% stake in CYEL (a company incorporated in Mainland China), through its Singapore based subsidiary ITNL International Pte Ltd (IIPL). The balance majority stake of 51 per cent in CYEL is held by Chongqing Expressway Group (CEG) that has agreed to forego its right to first refusal in favour of the shortlisted bidder.

On completion of the sale process, the company plans to meet all its unsecured liabilities in accordance with applicable laws and the resolution framework approved by the courts.

After a huge crisis came to light due to outstanding debt of over ₹90,000 crore at IL&FS, the government in October 2018 seized control of the debt-trapped company and superseded its board by appointing a new one, led by eminent banker Uday Kotak as its chairman.

ITNL alone is said to account for outstanding debt totalling nearly ₹40,000 crore, while the company and many other subsidiaries of IL&FS have defaulted on several debt instruments due to insufficient funds.

The new board, as part of the overall resolution process for the IL&FS Group, has sold a number of assets to clear dues and debt.