

IL&FS Lenders to Save ₹10k cr in Q4 Post NCLAT Breather

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Mumbai: A bankruptcy appeals court ruling, which ordered Monday that no loan account of IL&FS and its units be put into the non-performing category without its approval, would save lenders about ₹10,000 crore in March-quarter provisioning costs, two people aware of the development said.

A two-judge bench of the National Company Law Appellate Tribunal (NCLAT) said that the decision was taken in the interest of the debt resolution plan at the stressed infrastructure financier and its group companies. The IL&FS group, which skipped repayment commitments early autumn and triggered a liquidity squeeze in the financing business, has debt exposure of about ₹91,000 crore.

Banks had a collective exposure of ₹50,000 crore to IL&FS and they would have been required to set aside at least ₹10,000 crore as provisioning cover if the loans were categorised as bad, sources told ET after

the appeals court ruling.

The resolution framework put forward by IL&FS and the government has classified group companies as 'green', 'amber' and 'red', based on their solvency and cash flow. Companies that can meet all payment obligations have been classified as green. These companies have been directed to service their debts as per schedule.

In the previous hearing, the NCLAT directed group companies that had been put in the 'green' category to begin servicing their debt. The 'amber' entities can meet only senior secured debt obligations. Furthermore, the 'red' entities cannot even service senior secured debt. The amount of loan that falls under the 'amber' category is around ₹16,000 crore. Loans in the 'red' category are around ₹65,000 crore, which banks will have to compulsorily make provision for.

The group can service loans under the 'green' category. These companies can service interest and principal payment of up to ₹7,000 crore.

Don't Classify IL&FS A/cs as NPAs Sans Nod: NCLAT

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New Delhi: An appeals bench dealing with bankruptcies said Monday that exposure to IL&FS and its units can't be treated as a non-performing loan until the court itself declared such debt as bad, giving relief to high-street banks and funds that had advanced cash to the stressed infrastructure financier.

"No account of the IL&FS or its subsidiaries be declared NPA by any financial institution without approval from the National Company Law Appellate Tribunal," a two-judge NCLAT bench, led by Justice SJ Mukhopadhyaya, said in its ruling on Monday.

This has been done in the interest of the IL&FS debt resolution plan, the NCLAT said.

The IL&FS group, which skipped repayment commitments in September last year and triggered a liquidity squeeze in the country's financing business, has total debt exposure of about ₹91,000 crore.

The tribunal issued the direction during a hearing on the government's plan for the resolution of IL&FS group companies.

The NCLAT will next hear the case on March 12. In the previous hearing, the NCLAT directed 22 of the crisis-hit group's 169 Indian entities



Debt crisis

NCLAT order in the interest of the group's debt resolution plan, said a two-judge bench of the tribunal

The group has 10 "amber" entities that are able to meet just senior secured debt obligations and 38 "red" entities that cannot even service senior secured debt

that had been put in the 'green' category to begin servicing their debt.

The resolution framework put forward by IL&FS and the government has classified group companies based on their solvency and cash flow. Companies that can meet all payment obligations have been classified as green. These companies have been directed to service their debts as per schedule.

There are 10 "amber" entities that can meet only senior secured debt obligations.

Furthermore, 38 "red" entities cannot even service senior secured debt. About 100 other group companies have not yet been classified.

NCLAT says IL&FS loans can't be declared as NPAs

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Mumbai: In a major relief to banks, National Company Law Appellate Tribunal (NCLAT) has allowed them and financial institutions to not declare loans to Infrastructure Leasing and Financial Services (IL&FS) and its group companies as non-performing assets (NPAs) until further orders.

With this ruling, the banks can delay the provisions to be set aside for the stressed loans, helping them report better numbers.

The order, by a bench headed by NCLAT chairperson Retired Justice S J Mukhopadhyay, will continue to be in effect even if there is a default.

Banks had a total loan outstanding of Rs 48,000 crore, for which they had to make provision. According to Reserve Bank of India (RBI), if the loan is not paid within 90 days from the due date, it has to be classified as a NPA and provided for. But many lenders such as State Bank of India (SBI), Bank of India, Bank of Baroda have all made provisions for part of their exposure to IL&FS. Since the NCLAT had given a moratorium on the banks' loans, the lenders were una-



**LOAN
BREATHES**

₹48,000 cr

Banks have total loan outstanding towards IL&FS and group cos

₹900 cr

SBI's exposure to IL&FS at the holding company level

ble to enforce their securities or initiate recovery efforts.

SBI has an exposure of Rs 900 crore to IL&FS at the holding company level, for which it had made 50% provisions. The rest of the exposure worth Rs 2,200 crore was to the group's special purpose vehicle, which are all performing, the bank had said after unveiling its third quarter results on February 1.

The NCLAT had earlier bifurcated the subsidiaries

of IL&FS into three categories — Green (firms that can meet all debt obligations), Amber (firms that can meet some debt obligations) and Red (firms that can't meet any debt obligations). The tribunal had said that entities classified as green can continue servicing debt obligations, while others would wait until a resolution plan is final.

During the last hearing on February 11, NCLAT had allowed 22 companies of IL&FS group, which were classified in the green category based on their financial health, to service their debt obligations.

Besides, it had also approved the appointment of former Supreme Court judge Justice D K Jain to supervise the resolution process of IL&FS and its group companies.

The appellate tribunal also lifted the moratorium and allowed 133 IL&FS firms incorporated outside India to continue with the resolution process.

IL&FS first defaulted on debt securities in September 2018, which forced the government to dismiss the Board and appoint an interim Board headed by veteran banker Uday Kotak to finalise a resolution plan.