

BRIEFING ON IL&FS

April 3, 2019

Appointment of New Board



- Gol through MCA moved S/241 Application before NCLT, Mumbai against previous IL&FS Board on October 1, 2018
- NCLT Order (1 Oct 2018) – affairs of IL&FS were being conducted in a manner 'prejudicial to public interest'. Previous Board suspended. **New Board took charge on October 4, 2019**
- The New Board (appointed pursuant to NCLT orders dated 1 Oct, 3 Oct and 21 Dec 2018)

| | |
|---------------------|--------------------------|
| Mr. Uday Kotak | Chairman |
| Mr. Vineet Nayyar** | Executive Vice Chairman |
| Mr. CS Rajan* | Managing Director |
| Mr. Bijay Kumar | Deputy Managing Director |
| Mr. GC Chaturvedi | Non-Executive Director |
| Mr. Nand Kishore | Non-Executive Director |
| Dr. Malini Shankar | Non-Executive Director |
| Mr. N. Srinivasan | Non-Executive Director |

* Appointed as MD with effect from 3 April, 2019

** Redesignated with effect from 3 April, 2019

IL&FS: An enormous financial challenge

- **Large outstanding debt** FB INR 94,216 Cr.¹ Total FB + NFB INR 99,354 Cr² 
 - INR 48,470 Cr FB in 4 holding companies (ILFS, IFIN, IEDCL, ITNL)
 - Creditors, both secured and unsecured present across levels 
- **High gearing** which limits financial flexibility
 - Consolidated debt : equity ratio of ~10 : 1 as on 31 Mar 2018
 - Project cost over-runs funded through Group debt, on the back on uncertain claim realization
- **Huge asset-liability mismatch**, affecting servicing capability. Short term liabilities raised to fund long term infra assets
 - Investments (equity & debt) in SPVs made by borrowings at the HoldCo level
 - Back ended cash-flows further subjected to lender controls (escrow) limiting upstreaming to HoldCos
 - Model predicated on **continuous need for refinancing**
- **Potential poor recovery of loans** – made to internal and external parties
 - Large portion of external lending to relatively weak clients
- **Absence of a central control function**

IL&FS Group: Total outstanding (FB & NFB)

Estimated Fund Based o/s as on 8 Oct, 2018

Estimated Non-Fund Based o/s as on 30 Sep, 2018

| | INR Cr |
|---|---------------|
| Fund Based O/s Principal (Aggregated*) | 94,216 |
| Secured | 73,359 |
| Unsecured | 20,857 |
| Non-Fund Based O/s | 5,139 |
| Bank Guarantees (BG) | 4,853 |
| Letters of Credit (LC) | 286 |
| Total Outstanding | 99,354 |

*Includes FB Principal O/s aggregating INR 4,570 Cr.: (i) GIFT INR 1,233 Cr. (IL&FS Group has 50% stake); (ii) ONGC Tripura Power INR 3,337 Cr. (IL&FS Group has 26% stake)

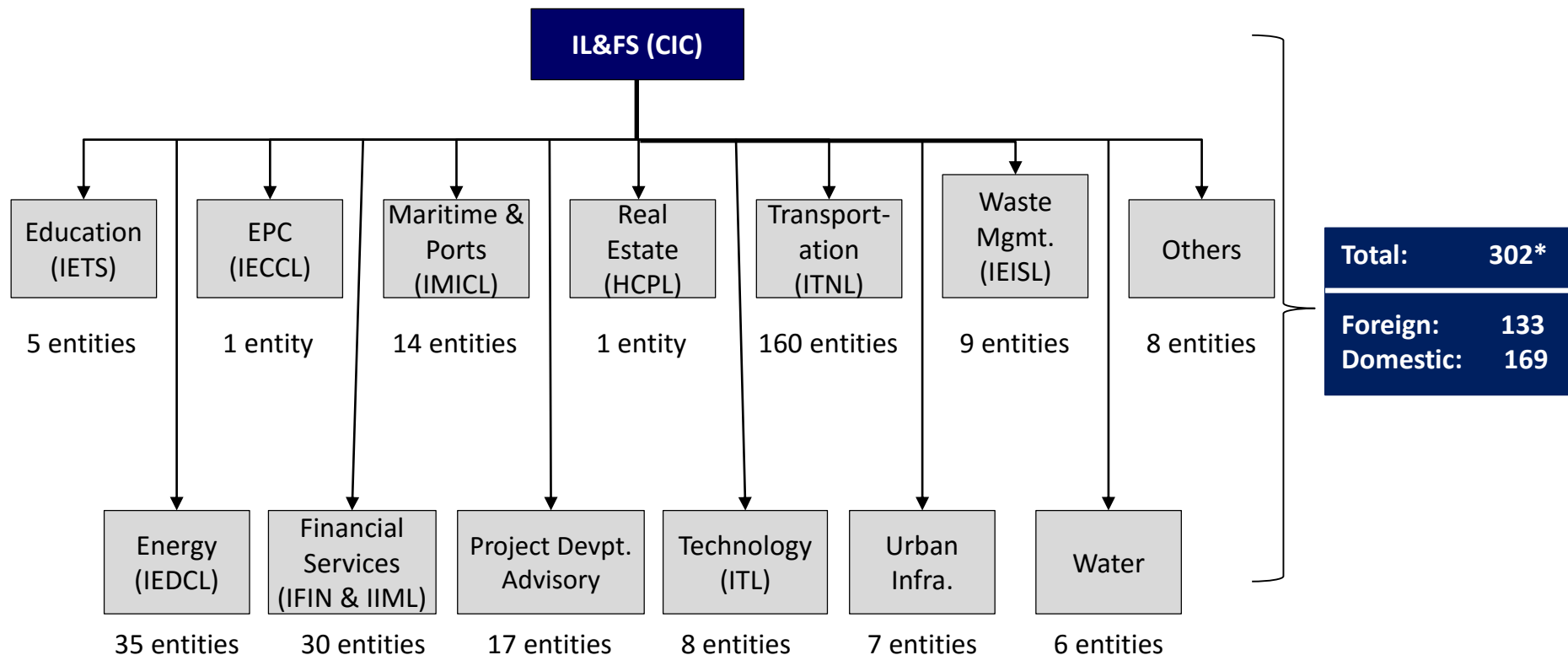
Creditors present across levels

Creditors of the IL&FS Group at the different layers of entities of the IL&FS Group and by type

| Type | Entity Level in IL&FS Group | Category of Creditor (Fund Based O/s) (as of October 8, 2018) (in INR Cr) | | | | | | | | | | |
|--------------|--------------------------------|---|---------------|--------------|---------------|---------------|--------------|--------------|--------------|-------------|--------------|---------------|
| | | PSU Banks | NCDs | Other Banks | Fin. Institn. | Foreign Banks | CP | NBFCs | Corps. | State Govt. | Others | Total |
| Secured | | 34,326 | 19,247 | 6,025 | 7,779 | 3,923 | - | 1,081 | 53 | - | 925 | 73,359 |
| | At IL&FS | 1,455 | 9,519 | 875 | 605 | 100 | - | - | - | - | - | 12,553 |
| | At other key holding companies | 8,771 | 2,391 | 2,909 | 760 | 1,668 | - | 242 | 13 | - | 872 | 17,626 |
| | Operating Level | 24,101 | 7,337 | 2,241 | 6,414 | 2,155 | - | 839 | 40 | - | 53 | 43,180 |
| Unsecured | | 1,056 | 6,520 | 3,411 | 1,359 | 2,108 | 3,028 | 626 | 1,050 | 602 | 1,097 | 20,857 |
| | At IL&FS | - | 7 | 2,000 | 814 | 260 | 1,932 | - | 487 | - | - | 5,499 |
| | At other key holding companies | 649 | 3,566 | 321 | - | 243 | 298 | 65 | - | - | 459 | 5,675 |
| | Operating Level | 407 | 2,948 | 1,090 | 545 | 1,606 | 798 | 561 | 563 | 602 | 639 | 9,682 |
| Total | | 35,382 | 25,767 | 9,436 | 9,138 | 6,031 | 3,028 | 1,708 | 1,103 | 602 | 2,022 | 94,216 |

Amongst the secured creditors, the nature and value of security available may vary from creditor to creditor

High complexity with multiple business verticals



* Post adjusting for closure of 45 entities (42 foreign and 3 domestic)

Needing time to comprehend, develop and implement resolution plans



Compounded by a complex holding structure

| Nature of Entity | Level from ILFS | # of Entities |
|--------------------------|---------------------|---------------|
| | L0 = IL&FS | |
| | L1 = One Level Down | |
| | L2 = 2 Levels Down | |
| Parent Holding Co. | L0 | 1 |
| Intermediate Holding Co. | L1 | 9 |
| | L2 | 3 |
| | L3 | 2 |
| Operating Level Co. | L1 | 31 |
| | L2 | 120 |
| | L3 | 34 |
| | L4 | 102 |
| Total | | 302 |

- **Multiple business verticals**
- **Multiple layers** - up to 4 layers
- **Multiple structures** - WOS, Subs with counterparties (pvt and govt), Associates, JVs
- **Multiple geographies of operations** – Asia, Europe & North America, Africa
- **Varied interests of different stakeholders** - JV partners (Orix, PSUs, State Govts.), Public shareholders (IECCL, IIML, ITNL), Other minority partners

Strategic & Operational Actions

Strategic actions

- **Appointing Advisors** - Legal, Transaction & Resolution Advisors
- Securing a **moratorium order** from third party actions to create **'calm period'**
 - to enable development of **orderly resolution plans**
 - to **protect creditor interest** across entities and creditor classes
 - to prioritize use of cash-flows for **maintaining 'going-concern'** status
- Setting up **'Operating Committee'** of senior executives under VC&MD for managing daily operations, co-ordinating with various agencies, for organisational stability
- Developing a **resolution framework** for managing **unprecedented group insolvency** using an **umbrella resolution approach**, built on principles analogous to IBC, to protect stakeholder interests
 - Resolution plan for international entities
 - Assessment of **resolution options**. Kick starting and monitoring the **Asset Monetisation** process 
 - Asset Monetisation process subject to NCLT approval and supervision of Justice (Retd.) DK Jain
- Active recovery actions on external lending portfolio of **IL&FS Financial Services (IFIN)** 
- Working with central and state government authorities to **resolve outstanding claims**

Asset Monetisation: Transactions in progress

| Details | Securities Business (ISSL + ISTSL) | Renewable Energy | Domestic Roads Vertical (ITNL) | Alternate Investment Fund Mgmt. (IIML) | Education (IETS) | Thermal (ITPCL) |
|--|------------------------------------|--------------------|--------------------------------|--|--------------------|--------------------|
| Shortlisting of Eligible EOIs | Completed (28 Nov) | Completed (14 Dec) | Completed (15 Jan) | Completed (11 Jan) | Completed (18 Jan) | Completed (26 Feb) |
| Planned binding bids ¹ | TBD | Completed (18 Mar) | May | Apr | Apr | May |
| # of Entities (part of the launched Asset Sales) | 2 | 11 | 21 | 10 | 4 | 7 |
| FB Debt of assets launched (Ext. + Grp.) (INR Cr) ² | ~220 | ~4,300 | ~26,000 | - | ~1,050 | ~7,800 |

Other launched processes (all international) – IPTF Fujairah, Parkline Dubai, IIPL USA

Further processes under discussion - OTPC, Paradip Refinery Water, ILFS Tech, LARES Philippines, ILFS Env't., Mangalore SEZ, Chongqing Yuhe Expressway, GIFTCL, Tamil Nadu Water & New Tirupur, CPG BPO

Resolution process and asset monetisation is subject to approval of NCLAT/NCLT

IFIN: Recovery overview



| Category | INR Cr |
|--|--------------|
| Assets Resolutions/Recovery | 697 |
| Sale / Redemptions of Investments | 235 |
| Total Inflows : Oct'18 – Mar'19 | 931 |
| Net Closing Balance on Mar 31, 2019 | 1,010 |

Summary of legal proceedings – As on Feb 28, 2019

| Category of Legal Actions | Borrower Groups | No of Petition / Complaints |
|------------------------------------|-----------------|-----------------------------|
| Section 138 Complaints | 14 | 41 |
| Recovery suits (including Summary) | 10 | 18 |
| NCLT Action | 8 | 12 |
| Mortgage Enforcement | 1 | 2 |
| SARFAESI Action | 5 | 14 |

| As on Mar 31, 2019 (Estimates) | INR Cr |
|------------------------------------|---------------|
| External Exposure | |
| Credit | 8,369 |
| Investments | 2,287 |
| Sub Total (A) | 10,656 |
| Group Exposure | |
| Credit | 5,364 |
| Investments | 1,485 |
| Sub Total (B) | 6,849 |
| Other Current Assets (C) | 1,300 |
| Grand Total (A + B +C) | 18,805 |
| GNPA | % |
| Dec 2018 (unaudited) | ~90.0% |
| Sep 2018 (unaudited) | ~61.8% |
| Mar 2018 (Audited) | ~5.3% |

Operational actions

- Addressing ongoing operational challenges – securing release of O&M payments, termination notices from authorities, coercive action from international creditors, litigations, renewing critical bank guarantees
- Development of a **liquidity management framework** using a 12 month cash flow based solvency test
 - **Classifying 169 domestic entities** of the group into ‘Green’, ‘Amber’ and ‘Red’ categories 
- Month-on-month **budgeting and review** of liquidity position for 75 material entities 
- Driving cost optimization and receivables collection initiatives
 - **28% reduction** in total opex monthly run-rate between Oct’18 and Mar’19
 - Annual impact of **over INR 300 Cr** basis run-rate reduction
- All contracts assessed for viability. Unviable contracts foreclosed
- Initiatives to clear **back-log on salaries**
- Resolving crisis involving ILFS Group employees
 - Secured release and **safe return of employees held hostage in Ethiopia**
- Monetisation of non-core assets – Luxury cars, immovable properties underway

Domestic entities: Green, Amber, Red categorisation

- Categorization based on **cash-flow solvency test** was carried out to **determine course of action** i.e. managing liquidity, implementing payment protocol etc. until resolution is implemented
- **157 (out of 169) Domestic IL&FS entities** have been categorized in 3 categories viz. “Green”, “Amber” & “Red”

Summary – Entity categorization based on 12 month cash flow solvency test

| Category | # of Entities | # of Entities with External Debt | External FB Debt (INR Cr) |
|--|---------------|----------------------------------|---------------------------|
| Green | 54 | 19 | 10,472 (12%) |
| Amber | 13 | 13 | 16,372 (18%) |
| Red | 82 | 33 | 61,375 (69%) |
| Under Liquidation /CIRP/ Striking Off | 8 | 1 | 6 (0.007%) |
| Entities Categorized (A) | 157 | 66 | 88,225 (99%) |
| Entities with <=50% IL&FS holding (Not Categorized) (B) | 12 | 3 | 1,021 (1%) |
| Subtotal (C = A+B) | 169 | 69 | 89,246 (100.0%) |
| International Entities (Excluded by NCLAT from moratorium) (D) | 133 | 7 | 4,969 |
| Total (E = C+D) | 302 | 76 | 94,215 |

Liquidity management

- Monthly budgeting and review meetings: **75 entities** have been identified and prioritized basis nature and size of operations
- **Objective: Ensuring operational continuity** without any additional cash infusion
 - **Reviewing actual cash flows** (collections, payroll, contractors, statutory, admin etc.) for the previous month to highlight budget vs. actual variances
 - Understanding and reviewing **operational challenges** being faced by the company, and escalating the same
 - Discussing **forecast of collections and payments** for the coming month and developing an estimate of the same for future periods
 - Identifying **avenues for liquidity generation** in entities with cash shortfall, and driving these initiatives with key management personnel

THANK YOU