

**ECONOMY & FINANCE P6****A year later, IL&FS on road to recovery**

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# Year after collapse, IL&FS on road to recovery

SUBRATA PANDA  
Mumbai, 4 September

A year after Infrastructure Leasing & Financial Services (IL&FS) collapsed, leading to a crisis in the financial sector, the resolution process set in place by the new board has started yielding dividend, with 10 road projects attracting investor interest and seven wind energy assets being sold.

Last week, the National Company Law Tribunal (NCLT) gave the go-ahead to the sale of seven wind energy assets owned by the IL&FS group to Japanese investor Orix Corp, which already owned 49 per cent in these assets. This sale is expected to fetch the beleaguered group ₹4,800 crore as Orix decided to match the offer of GAIL India, which had emerged as the highest bidder for the assets.

Orix's offer, which is for 100 per cent enterprise value, means there will be no haircut in these loans. The debt of these assets totalled ₹3,700 crore and Orix in its offer has agreed to take over the entire debt. The sale of assets to Orix will also bring in an equity value of approximately ₹593 crore.

The new board, led by Kotak Mahindra Bank Managing Director and Chief Executive Officer Uday Kotak, announced

that it had received binding bids for 10 road assets whose total debt is to the tune of ₹17,700 crore, accounting for 19 per cent of the entire group's debt. As many as 14 bidders have shown interest in purchasing these assets.

With this development, along with the Orix deal, "almost a quarter of IL&FS group debt is being addressed", IL&FS said.

The fifth progress report submitted by IL&FS to the NCLT puts the debt at ₹94,673 crore. According to news reports in July, the government is expecting the group to recover around 50 per cent of this.

For better resolution of the entities in the group, the board has segregated them —based on their capacity to meet their debt obligations — in green, amber and red categories.

According to the fifth progress report, there are 55 green entities which can service their debt obligations. Amber consists of 13 entities, which can only meet operational payment obligations and payment obligations of senior secured financial creditors. Lastly, there are 82 entities in the red category which cannot meet any payment obligations.

Of the road assets that received binding bids, Jharkhand



Infrastructure Implementation Company is the only green asset that has received a binding bid. Five road projects in the amber category have received bids, while the remaining four are marked as red.

The IL&FS group has 302 entities, of which 169 are in India and the rest 133 are outside India.

The collective debt of the green entities, according to the fifth progress report, was more than ₹11,000 crore. So far as amber and red entities are concerned, they have a debt of ₹16,372 crore and ₹61,375 crore, respectively.

In its statement last week, IL&FS said two of the amber road projects, which have found bid-

ders, are in the process of being reclassified from amber to green on the basis of the restructuring proposals agreed with its lenders. This means that they will be able to service their debt obligation soon, which would further bring down the non-performing assets of the group, even before the sale process is completed.

## HC stays proceedings in NCLT against BSR

The Bombay High Court (HC) on Wednesday granted interim relief to BSR & Associates by staying the proceedings in the National Company Law Tribunal (NCLT) against BSR in the matter pertaining to banning of auditors of IFIN. The stay has been granted till the time further orders are passed by the court in the matter. BSR & Associates and Deloitte Haskins & Sells were the erstwhile auditors of IFIN and have been accused of colluding with management of IFIN in presenting a rosy picture of the company despite knowing the state of affairs. BSR had moved the Bombay HC last month challenging the NCLT order wherein the tribunal had rejected the auditor's plea challenging NCLT's jurisdiction to ban the auditors.

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## ASSET-MONETISATION PROCESS

**Deal completed**  
Orix Japan to buy seven wind energy assets for ₹4,800 crore

**Binding bids**  
10 road projects with debt of ₹17,700 crore have received binding bids

**Non-binding bids**  
Non-binding bids received for IL&FS Prime Terminal FZC; discussion with lenders on

**Eols received**  
18 Eols received for thermal and related business and 17 parties shortlisted

Chongqing Yuhe Expressway Company also received five Eols for 49% stake of IL&FS

**Arbitration awarded**  
IL&FS Engineering & Gayatri Projects JV won an arbitration claim of ₹914.3 crore

**Sale of luxury cars**  
23 cars sold of ₹4.92 crore

**Rent**  
Rented out office space at IL&FS Financial Centre at ₹1.17 crore/month

**Sale of real estate**  
30 properties have been identified; process of sale initiated and property consultants appointed

"The new board, as part of the overall resolution process for IL&FS group, has initiated the sale of a number of other group assets also, which seeks to address a significant portion of the group's debt. Sale processes for these assets including education, waste management, technology, real estate and key inter-

national assets are currently underway and binding financial bids are expected in stages over the next few months," IL&FS said.

It has received and shortlisted 11 expressions of interest (Eols) for IL&FS Investment Managers. For thermal assets and related businesses, it has received 18 Eols and non-disclosure agreements have been signed with 17 parties. Also, five Eols were received for the sale of 49 per cent stake of the group in Chongqing Yuhe Expressway.

For IL&FS Prime Terminal FZC, the process of seeking non-binding bids was re-launched and the bids received are being discussed with lenders.

Apart from the sale of assets, the new board has also been engaged in the sale of real estate assets of the group.

More than 30 properties belonging to IL&FS have been identified. The board has also undertaken cost-cutting measures. Between October 2018 and June 2019, it reduced headcount by 43 per cent, leading to a saving of 47 per cent in the annual wage bill. It is also looking at rental income from real estate — it has already rented out space in the IL&FS Financial Centre in Mumbai to IDFC Bank for ₹1.17 crore per month.