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IL&FS board files affidavit with NCLAT

Three amber entities on track to become green; lenders do not agree on resolution plan of five firms

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In a bid to reclassify amber entities into green, the new board of Infrastructure Leasing & Financial Services (IL&FS) presented the creditors of these entities debt restructuring proposals. However, the creditors did not accept the proposals for five of these.

Meanwhile, three amber entities — Moradabad Bareilly Expressway (MBEL), Jharkhand Road Projects Implementation Company (JRIPIC) and West Gujarat Expressway (WGEL) — are on track to be reclassified as green, once their restructuring plans are executed. These entities have executed binding term sheets with their respective lenders that entailed debt restructuring. The total debt of these three entities is ₹5,071 crore — ₹3,242 crore from secured lenders and ₹1,829 crore from the unsecured ones.

In an affidavit filed with the National Company Law Appellate Tribunal (NCLAT) on September 4, the new board submitted the status of resolution of amber and red entities. Green entities are the ones that can service their debt from their cash flows, whereas ambers can only partially service their debt. Red entities cannot service their debt.

The five amber entities for which creditors have not agreed on the debt-restructuring proposals are: Jorbat Shillong Expressway (JSEL), Chennai Nashri Tunnelway (CNTL), Thiruvananthapuram Road Development Company (TRDCL), IL&FS Education & Technology Services (IETS), and East Hyderabad Expressway (EHEL).

So far, the new board has classified 150 entities into green (55), red (82) and amber (13). The IL&FS group has 302 entities, of which 169 are in India and the rest 133 are overseas. The collective debt of the green entities, according to the fifth progress report, was more than ₹11,000 crore. The amber and red entities have a debt of ₹16,372 crore and ₹61,375 crore, respectively.

In the five cases, lenders have not come to an agreement either on the extent of haircut, or on the reduction in interest rate, or the extension in repayment schedule proposed in the plan. In one case, some lenders proposed counter debt restructuring proposals to IL&FS, while in another, not all lenders responded.

As far as the remaining four are concerned, Hazaribagh Ranchi Expressway (HREL) does not have sufficient cash flow to repay its creditors and IL&FS Cluster Development Initiative (ICDI) borrowed heavily from the parent entity, IL&FS. Hence, it is unlikely that it will be reclassified as green. IL&FS Skill Development Corporation (ISDC) is also not in a position to be reclassified as green but if National Skill Development Council (NSDC), a 20 per cent shareholder in the entity, infuses equity in the entity, then it may be reclassified.

For IL&FS Tamil Nadu Power Company (ITPCL), a proposal involving 22 per cent haircut was placed before the lenders but Punjab National Bank asked it to be improved. The bank also asked the entity to recover its dues of ₹1,463 crore from Tamil Nadu Generation and Distribution Corporation.

For five amber road projects JRPICL, MBEL, CNTL, HREL, and JSEL, the board has received binding bids. The affidavit also

mentioned that binding bids for IETS, ICDI and ISDC have been received.

The NCLAT, in an order in July, had asked the new board to give an update on the status of resolution of 82 red entities, which have around ₹60,000 crore debt. In a reply, the board has said, of the 82, six are holding entities of various verticals of the group. And, the combined debt of these six entities is ₹49,110 crore, which is 52 per cent of the debt of the IL&FS group and 80 per cent of the debt of the red entities. For these six red entities, the board will engage in an asset-level resolution, which if resolved would facilitate resolution of the intermediaries.

The total debt of three entities that may be reclassified as green is ₹5,071 cr — ₹3,242 cr from secured lenders and ₹1,829 cr from the unsecured ones

