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## **IL&FS GETS GO-AHEAD TO SELL MANGALORE SEZ STAKE AT FAIR VALUE**

The IL&FS Group will now find it easier to unlock its investment in the Mangalore Special Economic Zone (SEZ) joint venture (JV) at fair value. In a recent order, Oil and Natural Gas Corporation's (ONGC's) claim, which sought to buy the stake at a discounted value, was termed unwarranted, paving the way for the stake sale plan of IL&FS. IL&FS holds a 49 per cent stake in the Mangalore SEZ JV, while ONGC holds 26 per cent. **AMRITHA PILLAY** reports **6 ▶**

# IL&FS gets nod to sell stake in Mangalore SEZ at fair value

AMRITHA PILLAY

Mumbai, 22 December

**T**he IL&FS Group will find it easier to unlock its investment in the Mangalore Special Economic Zone (SEZ) joint venture (JV) at fair value. In a recent order, Oil and Natural Gas Corporation's (ONGC's) claim, which sought to buy the stake at a discounted value, was termed unwarranted.

IL&FS holds a 49 per cent stake in the Mangalore SEZ JV, while ONGC holds 26 per cent. Kanara Chambers of Commerce, Karnataka Industrial Area Development Corporation, and ONGC Mangalore Petrochemicals are the remaining shareholders in the JV.

"Justice (Retd) D K Jain, terming ONGC claim as unwarranted, has dismissed the case, allowing IL&FS to sell its stake in Mangalore SEZ at fair value," said a person privy to the development. The order, sources said, was given earlier this month.

A spokesperson for IL&FS



**ONGC has the first right of refusal for IL&FS' stake in the JV. In the event of ONGC not willing to match the fair market value, IL&FS is allowed to sell its stake to a third party**

declined to comment on the development. An email query sent to ONGC on Friday remained unanswered.

In March 2019, ONGC invoked the 'Event of Default' clause and sought to buy IL&FS stake at deep

discount, a claim contested by IL&FS. ONGC termed the suspension of the old board of IL&FS and appointment of the current board by the National Company Law Tribunal (NCLT) as an event of default.

IL&FS is expected to assess the fair market value of its stake in the JV and execute the sale at an appropriate price. ONGC has the first right of refusal for IL&FS' stake in the JV. In the event of ONGC not willing to match the fair market value, IL&FS is allowed to sell its stake to a third party.

As assessed by Alvarez & Marshal, Mangalore SEZ is categorised as a green company and had debt outstanding of ₹551 crore as of September 30, 2019. Post the IL&FS fiasco, its subsidiaries were divided into three categories — red, amber, and green. Subsidiaries that are able to meet all their debt obligations were placed in the green category.

This is not the first time IL&FS would be selling its stake to an existing JV partner. In October, IL&FS completed the sale of its 51 per cent stake in its wind energy assets to Japan's ORIX, which held the remaining 49 per cent then. ORIX exercised its right to match the price of the highest bidder.