

## Govt repays IL&FS loans with sovereign guarantee

TIMES NEWS NETWORK

**Mumbai:** The government has fulfilled guarantees extended to IL&FS by repaying the Asian Development Bank (ADB) and German state-owned lender KfW the equivalent of Rs 1,109 crore and Rs 29 crore respectively. The loans were guaranteed by the government, which has now stepped into the shoes of the lenders and joined the ranks of IL&FS creditors.

The government becoming a creditor may create a piquant situation in the distribution of assets. Under the waterfall mechanism in bankruptcy, which determines the order of priori-

### OVER ₹1K CR

ty for various claimants, government dues and creditor dues are treated differently. The loans guaranteed by the government were used for projects undertaken by IL&FS arms.

In its status report for the September quarter, IL&FS has said that a loan of \$50.4 million was availed by IL&FS from ADB in August 2002. The loan was guaranteed by the government of India through the department of economic affairs. Another loan of 54 million euros was taken from KfW Frankfurt in November 2005. This loan was also guaranteed by the government.