

NCLAT Okays Sale of IL&FS Stake in IPRWL

Suryash Kumar

New Delhi: The National Company Law Appellate Tribunal (NCLAT) Friday allowed Infrastructure Leasing & Financial Services (IL&FS) to sell its 100% stake in IL&FS Paradip Refinery Water Ltd (IPRWL) to a successful bidder. This follows Indian Oil Corporation (IOC) holding off on a decision to wholly acquire IPRWL. The approval paves the way for IL&FS to repay debt of about ₹1,000 crore.

The counsel for IL&FS informed the tribunal that “debt resolution of ₹917 crore is being stalled” as IOC has yet to grant it a waiver for selling the stake.

The IPRWL project was set up to transport treated water to IOC for its refinery in Paradip, Odisha. Under the January 2010 terms of the contract between IOC and IL&FS, IL&FS was required to retain at least 51% stake in IPRWL until May 2039. Further, the agreement allows IL&FS to sell its 100% stake in IPRWL to a third party only with IOC’s permission. Also, the state-run refiner and fuel retailer would get the first right of refusal if IL&FS decides to sell its stake in IPRWL.

Accordingly, IL&FS had sought IOC’s waiver to allow it to sell its 100% stake in IPRWL. However, IOC has been dithering in giving its consent, according to the counsel.

IOC declined to comment.

In a separate case, the NCLAT granted relief to IL&FS, declaring that its lenders cannot claim payments, including interest amounts, beyond the 15 October 2018 deadline. “There has to be uniformity in the resolution framework and a cut-off date of 15 October 2018 has been followed for crystallisation of all dues including inter alia interest amount for lenders of all IL&FS entities and any further payment to lenders as part of restructuring of debt would adversely impact the value of InvIT units allotted to IL&FS group lenders,” said the tribunal.

Under the IL&FS restructuring agreement, IL&FS entities transferred their assets such as highway and other road projects to an infrastructure investment trust (InvIT), after which the trust issued IL&FS lenders units, representing the value of their debt. The units derive value from the assets owned by the trust.

The appellate tribunal also pointed out that the debt of IL&FS entities must be treated separately. A claim arising from a debt owed to an entity cannot be set off against another claim stemming from another entity’s debt even though they have the same parent company IL&FS.

