
IL&FS: One Year Progress Report

October 01, 2019

New Board appointed

- Gol moved S/241 Application before NCLT, Mumbai against previous IL&FS Board on Oct 1, 2018
- NCLT Order (Oct 1, 2018) – affairs of IL&FS were being conducted in a manner 'prejudicial to public interest'. Previous Board superseded. **New Board took charge on Oct 4, 2018**

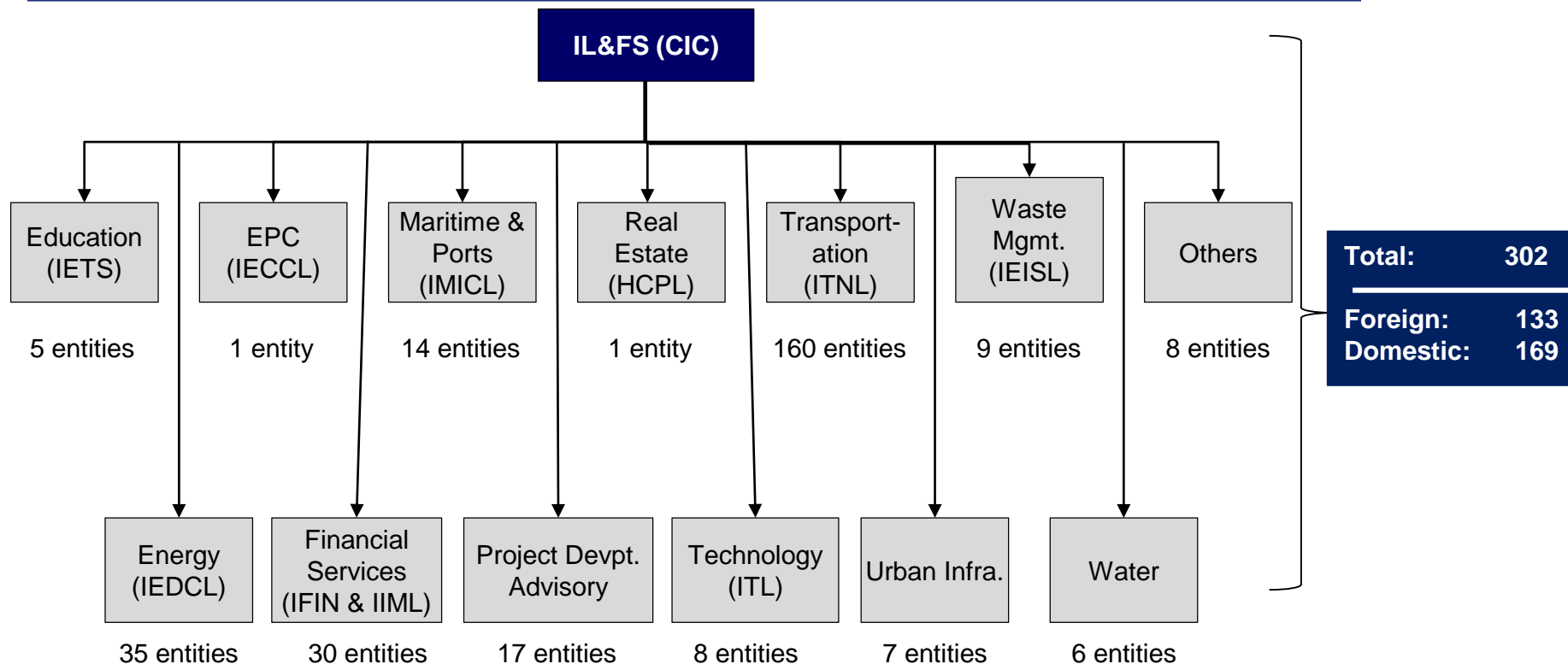
- The New Board

Mr. Uday Kotak	Non-exec Chairman	Mr. GC Chaturvedi	Non-Executive Director
Mr. Vineet Nayyar	Exec. Vice Chairman	Mr. Nand Kishore	Non-Executive Director
Mr. CS Rajan	Managing Director	Dr. Malini Shankar	Non-Executive Director
Mr. Bijay Kumar	Deputy MD	Mr. N. Srinivasan	Non-Executive Director

- **Key objective of the New Board**

- To achieve an orderly resolution of the IL&FS Group through a fair and transparent process

Complex pyramid structure with 302 entities



- 302 entities – 169 domestic, 133 international
- Multiple business verticals, 4 layered structure, presence across 11 countries
- Entities structured as subsidiaries, associates, JVs, joint control operations
- Multiple and diverse stakeholders – Government cos, State govts., Indian private players, Foreign partners
 - Several contract terms un-favourable to IL&FS
 - Significant intra-group exposure with disproportionate risks

Immediate imperatives addressed – Taking control

- **Governance**
 - **25 Board meetings** of IL&FS Ltd. in past one year
 - **Strengthening management** – Exec. VC, MD, DMD appointed and formation of mgmt. committees
 - Forensic audits, recasting of accounts for key entities initiated
- Maintaining **going concern status** of all material entities – preserving value for all stakeholders
- **Appointing advisors** – Resolution, Transaction, Legal, Claims Management, Forensic Audit
- **Securing moratorium** for IL&FS Group – “calm period” for orderly resolution
- **Group wide liquidity measures** put in place
 - **Solvency test undertaken** – 169 domestic cos (95% of total debt) – “Green”, “Amber”, “Red”
 - **Payment protocol** for “Amber”, “Red” – Going concern, salaries, statutory payments
 - **Liquidity management** and monthly budgeting for **75 material entities**
 - Building **cash conservation culture** – significant increase. **Aug 31, 2019 balance > INR 5,300 Cr**
- Expediting **recovery of loans** made to non-ILFS group entities. **> INR 1,200 Cr recovered**
- Costs rationalized – Wage bill reduced by 45%, office space consolidated
- Secured **release of all employees** held captive in Ethiopia

External borrowings in excess of INR 94,000 Cr

Entity Level	Total (INR Cr)
At IL&FS	18,053
At 5 Key holding companies (IFIN, ITNL, IEDCL, IMICIL, ITUAL)	31,058
Operating Level	45,105
External Fund Based Debt	94,216
• Secured	73,359
• Unsecured	20,857
Additional Non Fund Based Debt	5,139

All External Debt as on Oct 8, 2018

Debt resolution poses huge challenges

- **Very high gearing:** limiting financial flexibility
 - Consolidated debt : equity ratio of **~17 : 1** as on Mar 31, 2018 (excluding minority interest)
- **Issues impacting debt resolution**
 - Exposure to SPVs financed by borrowings at the Holding Companies (HoldCos)
 - Short term liabilities raised to fund long term investments (with back ended cash-flows)
 - Several delayed/incomplete projects, with significant group exposure
 - Project cost over-runs funded through group debt, uncertain claim realization possibility
 - Model predicated on continuous refinancing based on high credit rating of HoldCos
- Downstream investments **unsupported by underlying economic value** and cash flows

Resolution Action (1) - Comprehensive Resolution plan put in place



Key Principles - public interest, fairness, transparency, value optimization, commercial feasibility

- **Options considered**
 - Group Level (ILFS), Vertical (Transportation), Asset Level (each entity) resolution
 - **Asset Level resolution chosen** – Market interest, value optimization, speed, feasibility
- **Unique resolution framework** formulated
 - Key principles of IBC 2016 adopted - balances stakeholder interests
 - Supervision by retired Judge of Supreme Court - Justice (Retd.) D.K. Jain as directed by NCLAT
- Resolution plan **identified for all 302 entities**
 - Debt restructuring
 - Asset monetization
 - Other avenues – Termination, liquidation, strike-off etc.

Resolution Action (2) - Resolution Plan readied for all 302 entities



INR Cr

Details	Particulars	# Entities	External debt
Domestic Entities # 169 Ext. Debt: INR 89,247 Cr	Entity monetization (excl. 5 entities with no bids)	55	23,927
	Real estate monetization (excl. RE in 6 holding cos)	8	473
	Restructuring	6	8,720
	Termination and settlement	11	6,035
	Currently under CIRP/ liquidation/ strike off	8	6
	Immediate liquidation	26	419
	Liquidation / sale in phases	49	557
	Key holding companies	6	49,110
International Entities # 133 Ext. Debt: INR 4,969 Cr	Entity monetization	16	2,962
	Restructuring / liquidation	100	- *
	Termination and settlement	1	-
	Currently under CIRP / liquidation / strike off	7	-
	Sale / liquidation / strike off in phases	8	1,358
	Key holding company	1	649
Total		302	94,216

Alt. resolution plans being considered for few entities; * Debt of overseas lenders not included in overall INR 94,216 Cr

Resolution Action (3) - Loans restructured in select SPVs

- **Debt restructuring** enabling conversion of “Amber”/”Red” to “Green”
 - Lenders of 12 “Amber” entities offered proposals
- 3 entities with **total debt of ~INR 5,100 Cr** successfully restructured
- Continuing engagement with Financial Creditors based on feasibility
 - Discussions ongoing on restructuring **ITPCL (debt ~INR 8,000 Cr) at advanced stage**
 - Discussions for 3 other entities **(debt ~INR 2,400 Cr) in progress**

Resolution Action (4) – Significant Asset Monetisation efforts



- Public process **launched for 65 entities** (54 Dom, 11 Int). 11 others to be launched soon
- **Wind Energy** – SPAs for sale for sale of 7 SPVs to ORIX, Japan post NCLT approval
 - **Total value ~INR 4,300 Cr.** Targeted closure before Oct 20, 2019
- **Domestic Transportation** – Binding H1 bids **~INR 12,850 Cr for 10 out of 14 assets**
 - Binding bids for 5 (total debt **INR 9,500 Cr**) to be submitted to relevant COC for its consideration
 - **For balance 9 (total debt INR 10,800 Cr), alternate resolution options including InvIT being considered**
- **Education** – Binding bid of **~INR 630 Cr** received for 4 assets) to be submitted to relevant COC for its consideration
- **Chongqing Yuhe** – Binding bid with equity value received. **100% debt (~INR 1,600 Cr) covered**

Resolution Action (4) – Significant Asset Monetisation efforts (contd.)



- Other ongoing sale processes:
 - Swiss Challenge process being conducted for assets in Technology, Environment, BPO
 - Non-binding bids received for IPTF Fujairah
 - Sale of **Real Estate assets** with estimated value of **INR 3,000 – INR 3,500 Cr** in progress
 - Engagement ongoing with govt. bodies (ITPCL, OTPC, MSEZ, TWIC, GIFTCL)
- **Claims management process** for 70 entities covering **86% of external debt** in progress (in-line with IBC process)

Resolution Action (5) – Claims settlement efforts

- Active discussions with NHAI and MoRTH to settle claims/counter claims
 - **5 termination / foreclosure projects – close to resolution** for receiving compensation for work done
 - Dedicated conciliation efforts to settle claims/counter claims on operational projects
 - **Termination settlement reached** with MoRTH for **IRIDCL**, an “Amber” entity
- **~INR 900 Cr of value preserved in IECCL (EPC co.)**
 - Realised Settlement for claims > **INR 220 Cr** filed against various parties
 - Completed various projects that led to release of guarantees amounting to **INR 437 Cr**
 - Revived various projects that have saved **INR 230 Cr** of guarantees from devolving
- Rapid Metro at Gurgaon
 - Termination notice served
 - Settlement and handover under judicial supervision

Challenges being faced by the New Board

- **Asset monetisation challenges**
 - Large number of simultaneous processes
 - “as is where is what is”, no representations and warranties
 - Lack of centralized database, delay in audited accounts
 - External economic environment
- **Delays in settlement of claims** raised by transportation vertical
 - Cost overrun + Termination claims filed > INR 7,500 Cr
- **Increasing receivables**, even from Govt. entities – TANGEDCO owes IL&FS > INR 1,400 Cr
- **Onerous commercial agreements** with counterparties
- **Coercive creditor actions** in contravention of court order – Auto debit, non-creation of FDs
- **Formal approval** for resolution framework awaited
- **High manpower attrition**: Limiting bandwidth in the midst of increasing requirements

Summary of debt being addressed

	Particulars	#	~Debt / Cash (INR Cr)	Remarks
	A Wind SPVs being sold to ORIX	8	4,320 ²	NCLT approval for 7 received
Add	B Other "Green" entities ¹	47	7,930	Servicing all obligations
Add	C "Amber"/ "Red" entities with bids being submitted to COC (Roads, Education)	9	10,150 ²	Bid value – INR 8,100 Cr. Next steps as per resolution f/w
Add	D Entities with low/no bids	9	10,830	InvIT being considered
Add	E Net Cash as on Aug 31, 2019		3,200	After adjusting for entities under A,B,C
Total debt getting addressed till date			INR 36,400 Cr	

1 – Adjusting for entities under A (Wind) and D (InvIT)

2 - Includes equity value received

Other value realization measures

- **Ongoing sale processes** – Technology, Waste Management, JVs with PSUs, Real Estate
- **Settlement of claims** filed by transportation vertical with various authorities
- **Recovery of loans** made to borrowers external to ILFS Group
- **Restructuring of debt** – ITPCL (debt ~ INR 8,000 Cr), 3 other entities (debt ~INR 2,400 Cr)

Key takeaways

- New Board has navigated through complexity and developed resolution plan for all 302 entities
- Going concern status maintained to preserve value for all stakeholders
- Unique resolution framework formulated - to balance interests of stakeholders
- Board continuously evaluating options – Actively considering alternatives such as InvIT for value maximization
- Targeting to achieve resolution for significant quantum of addressable debt by Mar 2020

THANK YOU