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NCLT's valuation flags cloud IL&FS HQ sale

In a recent order, the National Company Law Tribunal (NCLT) rejected the proposed sale of two IL&FS-owned commercial properties -Mafatlal Chambers and Trade World -citing undervaluation.

Mumbai: The sale of IL&FS's headquarters in Mumbai's Bandra Kurla Complex is likely to face delays after the bankruptcy tribunal raised concerns over the use of outdated property valuations, potentially forcing IL&FS to revisit pricing across its asset monetisation programme.

In a recent order, the National Company Law Tribunal (NCLT) rejected the proposed sale of two IL&FS-owned commercial properties -Mafatlal Chambers and Trade World -citing undervaluation.

The tribunal questioned the company's reliance on liquidation values determined in 2021-22 when commercial real estate prices were hit by the Covid-19 downturn, saying those valuations were not appropriate for transactions being concluded in 2025.

It noted that the nearly four-year-old valuations were materially below current market benchmarks and directed IL&FS to undertake fresh, market-aligned assessments before proceeding with any sale.

A near two-fold gap between prevailing circle rates and the proposed sale consideration, merely matching liquidation value, does not follow the value-maximisation mandate under the IL&FS resolution framework, the NCLT said.

The market has seen a sharp recovery since the pandemic.

Citing provisions in the sale documentation, including a clause in the letter of intent allowing amendments to pricing and terms, the NCLT said IL&FS was not only permitted but required to revise valuations and, if necessary, relaunch the sale process.

This is expected to have a cascading effect on upcoming monetisation, including the sale of the headquarters, which may now be reworked using updated market data.

The order follows earlier NCLT directions allowing IL&FS to revisit the sale price of its BKC headquarters and rejecting a ₹1,080-crore bid from Chronos.

IL&FS still needs to repay about ₹13,000 crore of debt under its court-approved resolution plan. Of the overall resolution target of roughly ₹61,000 crore, the group has cleared about ₹48,000 crore.

The latest NCLT order will help materially improve recoveries for lenders.