

NEW BOARD SUBMITS ROAD MAP

IL&FS Tells NCLT it Aims to Resolve Crisis Within 9 Mths

Options could involve significant capital infusion, disinvestments, and debt restructurings

Our Bureau

Mumbai: IL&FS has told a bankruptcy court that it aims to resolve the liquidity crisis within about nine months, seeking to improve its debt-laden capital structure through asset sales, restructuring of outstanding loans, and infusion of funds.

“Buyer(s)/ investor(s) interest for the vertical level resolution is expected to be more likely, given that focused participants exist for different asset classes in India,” the new board of IL&FS told the National Company Law Tribunal (NCLT) in a detailed report on the debt-resolution choices currently under consideration.

“The New Board will follow due process in finalisation and implementation of the Resolution Plan(s) and expects to complete the process, in stages and parts, in

next 6-9 months (subject to market and economic conditions),” it said.

The report added that the “new board has noted that there appears to be valuable assets in the IL&FS Group which have generated sufficient interest in the market.”

The new board’s current assessment is that the resolution options could broadly involve significant capital infusion, disinvestments, and debt restructurings at the IL&FS group level, business vertical/platform level, or at an asset level, the company said in a separate press note.

“We have created the roadmap in compliance with the earlier NCLT order,” said Sanjay Shorey, senior counsel from the ministry of corporate affairs, who was representing the government in the court.

On October 1, the NCLT allowed the government’s petition to replace all members of the old board, and ordered that the new board

submit a roadmap to it before the next hearing on October 31.

All payments of ₹1 crore or more will have to be approved by the managing director, while employees earning more than ₹50 lakh a year will have to take a 10% cut in salary, the new board has proposed to implement.



Continued on ►► SMART INVESTING

IL&FS Aims to Resolve Crisis

►► **From ET Markets Page 1**

“The new board believes that the final resolution will inevitably involve substantial deleveraging from the current levels, notwithstanding the various challenges,” said the detailed report.

The group employed 69 super-annuated executives as consultants. They are likely to be removed now. The audit committee of IL&FS is also considering a special audit of actions by the previous board.

The board has also found that one loan in excess of ₹1,500 crore was passed through eight group companies in what Shorey called a

“circuitous transaction”.

IFIN, a subsidiary, is alleged to have availed loans in excess of the permissible regulatory norms. The group has debts of ₹94,215 crore. Repayments have fallen overdue for about 5% of the outstanding amount.

There are 346 group companies in the IL&FS Group, besides the holding company. The NCLT ordered the board to include representatives from all subsidiaries as respondents to the case.

The NCLT ordered the board to include representatives from all subsidiaries as respondents to the case next two fortnights. The court will next hear the case on December 3.

NCLT HEARING

IL&FS board says solution possible in next 60-90 days

BHAVIK NAIR & MITALI SALIAN
Mumbai, October 31

THE NEW BOARD of the troubled Infrastructure Leasing & Financial Services (IL&FS) on Wednesday said it would work towards the final resolution, in stages and parts, over the next six-nine months. It indicated the possibility of some early outcomes and part resolutions in the next 60-90 days after consent of the National Company Law Tribunal (NCLT).

In a presentation to the Mumbai bench of the NCLT, it identified the primary and core problem of the IL&FS Group as excessive leverage, without commensurate asset values or cash flows, from the perspective of both timing and quantum.

The board said the final resolution will inevitably involve substantial deleveraging from the current levels, notwithstanding the various challenges.

Such deleveraging, it noted, will necessarily need to be achieved in an orderly manner, considering the scale and complexity of IL&FS Group. Else, there could be dire impact on the values of the company or assets especially at the level of certain key verticals, it cautioned.

The board has not zeroed in on any specific plan or approach at this stage. It said various options would be considered — group resolution or part resolution of business verticals and assets. It merely outlined the direction and approach before the NCLT, which fixed the next date of hearing on December 3.

Should a resolution be considered at the group level, it would involve signifi-



Roadmap presented by the new board



AUSTERITY MEASURES



Reduction of sitting fees of boards and its committees



10% salary rationalisation for all employees with a CTC of ₹50 lakh or above



69 superannuated employees retained as consultants are to be, in principle, discontinued



CHOICES FOR RESOLUTION PLAN



Group level resolution
Vertical level resolution
Asset level resolution

Payments of **₹1 crore** and above requires approval of the MD



FINAL RESOLUTION

Board will work towards the **final resolution over the next 6-9 months**, with the possibility of some early outcomes/part resolutions in the next 60-90 days

cant capital infusion from credible and financially strong investors. This would necessitate a condition that such investors along with the board engage with the creditors such that it will lead to a final resolution on a group-wide basis.

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NCLT hearing: IL&FS board says solution possible in next 60-90 days

IN THIS CASE there would be continuity of many of the entities, and for many employees, and may potentially reduce the complexity of engagements with multiple stakeholders. The board indicated buyer or investor interest for specific verticals was more likely, given that focused participants exist for different asset classes in India. For instance, a number of private equity and strategic players have significant focused interests in roads, renewables, real estate and thermal power, it pointed out. Such an approach may be less complex

than group-level resolution, given the potential inter-linkages within the same vertical.

With regard to asset-level resolution, it has said it would involve asset-by-asset solution explored through various methods. According to it, this option compares well on asset level value maximisation and stakeholder engagement as majority of the loan liabilities exist at operating asset level. However, this option may require liquidation of some businesses or assets that find no meaningful offers from buyers or are significantly unviable. Therefore, the board has said that a thoughtful design of the resolution plan(s) needs to be explored to combine the advantages of the above options and minimise the disadvantages.

IL&FS seeks capital infusion, asset sale

▶ ANNOUNCES REMOVAL OF 69 CONSULTANTS

▶ 10% PAY CUT FOR THOSE GETTING OVER ₹5 MN

DEV CHATTERJEE & ADVAIT RAO PALEPU
Mumbai, 31 October

The new management of troubled Infrastructure Leasing & Financial Services on Wednesday presented to the National Company Law Tribunal a resolution plan, which includes “significant” capital infusion by shareholders or new investors, divestment of assets, liquidation of a few group companies, and debt restructuring at both group level and business vertical level. The infrastructure financier has taken austerity measures, including a salary cut of 10 per cent for those earning ₹5 million and more and removing 69 consultants, the resolution plan said, apart from giving instances of fund diversion from the firm.

“We have brought a road map before (the Mumbai bench) that we intend to follow and, from now, it will be the execution of this road map. We have given detailed steps that we intend to follow, the steps already taken and the instances that have come to the notice of the board of directors, as well as on the challenges and threats that were looming when the new board took over,” Sanjay Shorey, director of legal prosecution at the corporate affairs ministry, told the tribunal.

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RESOLUTION PLAN SUBMITTED TO NCLT

- Significant capital infusion from shareholders/new investors
- Asset monetisation at group/vertical level to retire debt
- Resolution/compromise with the creditors
- 6 to 9 months needed to implement plan

ACTIONS TAKEN

- Control of cash flow, with MD clearing all transactions above ₹10 mn
- Alvarez & Marsal appointed to manage day-to-day cash flow
- Arpwood Capital, JM Financial appointed transaction advisors
- Reduction in sitting fees of boards and its committees
- Sought full standalone, consolidated audit for six months ended Sept 2018

ECONOMY

▶ NEW BOARD MOVES TO CLEAN UP MESS

▶ IL&FS FIN SERVICES RAN BIZ WITHOUT CAPITAL FOR 3 YEARS

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IL&FS...

In the plan submitted to the stock exchanges, IL&FS said the main problem of the group was its excessive leverage, without commensurate asset values or cash flows, from the perspective of both timing and quantum. "Thus, the new board believes that the final resolution will inevitably involve substantial deleveraging from the current levels, notwithstanding the various challenges. Such deleveraging will necessarily need to be achieved in an orderly manner, considering the scale and complexity of the IL&FS group, in the absence of which there could be dire impact on asset/company values, especially at the level of certain key verticals," said IL&FS in its Report on Progress and Way Forward filed with the NCLT.

The new board headed by Kotak Mahindra Bank Chairman Uday Kotak expects to complete the process in the next six to nine months after following the due process in finalisation and implementation of the resolution plan, subject to market and economic conditions. The outstanding dues of the IL&FS group were ₹942 billion, Shorey informed the tribunal. Besides parent IL&FS, the group has 346 entities, which include subsidiaries, associates, joint ventures, and jointly controlled operations.

According to the board, the resolution plan will have three choices to make. The group resolution plan will involve significant capital infusion in IL&FS from credible and financially strong investors, with a condition that such investors along with the new board engage with the creditors such that it will lead to a final resolution on a group-wide basis.

It said the group-level resolution plan might enable continuity of many of the operating entities, and for many employees, and might potentially reduce the complexity of engagements with multiple stakeholders. If successfully implemented by credible investors, this could address the circumstances which prompted government action in a timely manner. But, the report warned that the interests of investors for a group-level resolution needed to be tested and also whether it would lead to value maximisation. It said stakeholder engagement for such a resolution might be complex, and investors would need to demonstrate sufficient capability, commitment and wherewithal to execute the same.

The second choice is to make a business vertical resolution, which will include exploring solutions involving all assets, companies, special purpose vehicles (SPVs) comprising a specific business vertical, on a combined basis (for example, roads vertical). "The buyer interest for the vertical level resolution is expected to be more likely given that focused participants exist for different asset classes in India. For example, a number of private equity and strategic players have significant focused interests in roads, renewables, real estate and thermal power," it said.

Finally, the asset-level resolution will involve asset-by-asset solution explored through various methods. "This option compares well on asset level value maximisation and stakeholder engagement as majority of the loan liabilities exist at operating asset level. "However, this option may require liquidation of some businesses or assets that find no meaningful offers from buyers or are significantly unviable," it said.

"The new board recognises there exist merits and demerits of each of these paths and will be examining these further over the coming weeks with the assistance of its advisors, based on market interest, maximisation of value, complexity and speed of execution, stakeholder interest(s), comprehensiveness of the resolution and transaction certainty," the company said in a statement.

The board informed that soon after taking over, a "core operating committee" was constituted, comprising IL&FS Vice-Chairman and MD Vineet Nayyar, new IL&FS Financial Services CEO Kaushik Modak, IL&FS Transportation Networks Chief Strategy Officer Dilip Bhatia, IL&FS Energy Development Company CEO Ashwani Kumar, and Special Advisor to the Chairman T V Raghunath for handling day-to-day operations of IL&FS as well as matters relating to the final resolution.

The new team found that IL&FS Financial Services had negative capital adequacy norms for the last three years and more seriously instances of fund diversion. "We note from records available that loans to one of the companies in the IL&FS group in excess of Rs 15 billion had been routed through eight other companies of the IL&FS group, reflecting adop-

tion of circuitous transactions to circumvent regulatory prescriptions. The new board understands that appropriate authorities are undertaking investigations into the affairs of the IL&FS group," the report said.

Besides, IFIN has an exposure in excess of ₹9 billion to companies which are subsidiaries of associates/JVs of IL&FS (such as HCPL) and IL&FS Employee Welfare Trust. These do not get consolidated into the accounts of IL&FS and, at the same time, have been treated by the previous management as 'internal debt'.

The new board also said it was unable to validate whether due processes and transparency had been followed by the previous management in pursuing various asset monetisation activities. For instance, a certain asset of the IL&FS group was transferred from one entity in the group to another entity in the group in June 2017 at a value of ₹308 million for cash. This was based on an independent fair valuation, and in just about a year (in June 2018), a committee of directors resolved to sell this asset to a third party at ₹10 million which is at a significant discount to the original intra-group purchase price, the reasons for which the new board finds are inadequately supported, it said.

It said the resignations of few former key officials, including Arun Saha, Hari Sankaran, Ramesh Bawa and Vibhav Kapoor, were accepted while placing all their settlement payments on hold. The board has also withdrawn post-retirement benefits granted to previous directors and senior management. The NCLT adjourned the matter to December 3.

Kotak panel seeks 2-3 quarters TO LIFT IL&FS OUT OF DEBT TRAP

Pegs debt at Rs 94,215 cr, highlights corruption by previous management

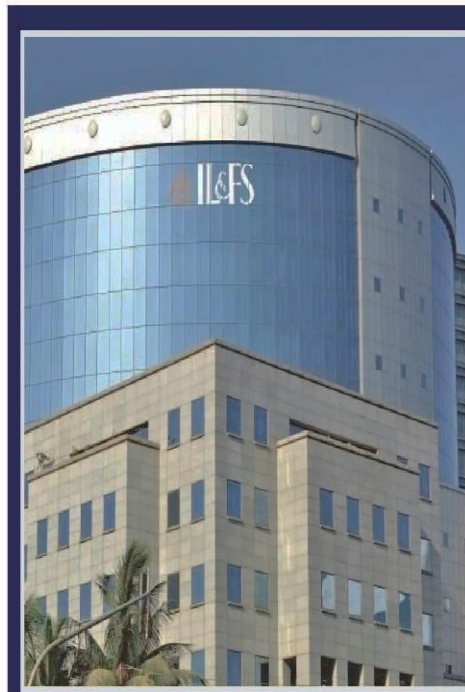
FC BUREAU

New Delhi

THE Uday Kotak-led IL&FS board has suggested a multi-pronged strategy to revive the shadow banker. The resolution plan includes significant capital infusion at the group level and divesting the web of subsidiaries and bunching entities under different verticals.

The report was presented to the National Company Law Tribunal (NCLT) on Wednesday. It expects to complete the resolution process, in stages over the next two-three quarters and hinted at corrupt practices by the previous management.

About the alleged corruption in the group, the board informed the NCLT that "a certain asset of the group was transferred from one group entity to another group entity in June 2017 at a value of Rs 30.8 crore for cash based on an independent fair valuation, and



The blue-print

- Resolution plan includes significant capital infusion at the group level and divesting web of subsidiaries
- The primary and core problem for the IL&FS group is excessive leverage, without commensurate asset values or cash flows
- Report said 347 firms were functioning under the group umbrella, at times without much supervision or oversight

in just about a year, a committee of directors resolved to sell this to a third party for Rs 1 crore, the reasons for which the board finds are inadequately supported."

"The new board will follow due processes in finalisation and implementation of the resolution plans and expects to complete the process in stages and parts over the next six to nine months, subject to market

and economic conditions," the company informed the NCLT.

IL&FS, represented by counsel Sanjay Shorey, submitted the resolution plan to a bench of judges VP Singh and Ravikumar Duraisamy. "This blue print is the hope and it has to be realised," Shorey informed the judges.

At the October 12 meeting, the board appointed its nominee directors on eight

of IL&FS' subsidiaries which number as many as 347. Kotak had told a press conference then that the number of subsidiaries is more than double of what was initially told at 348 of which over 100 are overseas arms.

Similarly, the board on Wednesday also pegged the total debt of the group by over Rs 3000 crore at Rs 94,215.6 crore as of October 8.

"The primary and core problem for the IL&FS group is excessive leverage, without commensurate asset values or cash flows, from the perspective of both timing and quantum. Thus, the new board believes that the final resolution will inevitably involve substantial deleveraging from the current levels, notwithstanding various challenges," the report said.

IL&FS has created a web of companies around different platforms in several countries. The report found that all 347 companies with a fund-based debt of Rs 94,215 crore were functioning under the group umbrella, at time without much supervision or oversight.

"Apart from fund-based loan, the non-fund based debt is Rs 5,138 crore. IL&FS has also an exposure of Rs 24,866 crore to group companies, while IL&FS Financial Network's exposure to the group is Rs 6,380 crore," the report said.

Final resolution may take 6-9 months: IL&FS board

TIMES NEWS NETWORK

Mumbai: The new government-appointed board of IL&FS has said that a final resolution will be achieved in stages and parts, over the next six-nine months, subject to market and economic conditions. However, there is a possibility of some early outcomes or part resolutions in the next 60-90 days after obtaining consent of the National Company Law Tribunal (NCLT) for such parts.

According to the board, resolution of the distressed group is critical, given that its bank borrowings of Rs 53,000 crore amount to 16% of loans to the financial sector. Group companies have defaulted to the extent of Rs 4,776 crore as of end-October with IL&FS, IL&FS Financial Services

and IL&FS Transportation Networks accounting for most of the defaults.

The infrastructure financier is facing proceedings in the NCLT following the admission of a government petition earlier this month.

The next hearing of the matter has been kept on December 3. IL&FS has been asked to submit lists of all

'IN 90 DAYS, FEW SETTLEMENTS'

the boards of directors as well as the 347 companies in the group. The tribunal has allowed the government to sack the erstwhile board and appoint a new one.

“The new board’s current assessment is that the resolution option could involve significant capital infusion,

divestments and debt restructuring,” the company said.

This could happen at the group level, a business vertical level or at an individual asset level.

The board said, given that the final resolution needs orderly recovery for the creditors, a piecemeal approach might not work. With over 130 creditors issuing legal notices to the group, the board has called for a ‘calm period’ with rights of individual creditors being suspended pending a final resolution.

In its final report submitted to the tribunal on Wednesday, the new board said, “Considering that the exposure of the entire banking sector to all NBFCs is about Rs 3.3 lakh crore, IL&FS Group is not inconsequential, but critical to the financial stability.”

+ IL&FS resolution in 6-9 months: new board

Plan involves capital infusion, asset sale, austerity measures; banks have an exposure of ₹53,000 cr.

**SPECIAL CORRESPONDENT
MUMBAI**

The new board of the troubled financial conglomerate Infrastructure Leasing & Financial Services (IL&FS) has informed the National Company Law Tribunal (NCLT) that the resolution process is expected to be completed in 6-9 months, subject to market and economic conditions.

In the report titled ‘Progress and way forward,’ the new board, chaired by banker Uday Kotak, noted that

the core problem of IL&FS was excessive leverage and that the final resolution would inevitably involve substantial deleveraging from the current levels.

‘Orderly deleveraging’

“Such deleveraging will necessarily need to be achieved in an orderly manner, considering the scale and complexity of IL&FS Group, in the absence of which there could be dire impact on asset/company values, especially at the level of certain

key verticals,” the report said. A deleveraging exercise usually involves significant capital infusion (either from existing or new investors), asset monetisation to retiring debt and resolution/compromise with the creditors, the report said.

Austerity measures

The new board has proposed a set of austerity measures that include reduction of sitting fee of board members.

The report said as indicated by the Finance Ministry,

the borrowing of IL&FS from banks and financial institutions is about ₹63,000 crore as per the balance sheet of 2017-2018.

“If the exposure of banks to the IL&FS Group is assumed to be about ₹53,000 crore, then, considering that the exposure of the entire banking sector to all NBFCs is about ₹3.3 lakh crore, IL&FS Group is not inconsequential but critical to the financial stability as its share in the total exposure of the banks to the NBFC sector is

about 16%,” the report said.

The report further said the future impact of more defaults in the IL&FS Group, if not addressed in an orderly manner, may be catastrophic for the financial stability.

The report also said IL&FS had only received ₹5.47 lakh from its rights issue to raise ₹4,500 crore as large investors stayed away. The new board had decided to return the subscription money received from the retail shareholders.

IL&FS revival involves asset sales

Ateeq Shaikh
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Mumbai: The new IL&FS Board submitted progress report and future plan to National Company Law Tribunal (NCLT) on Wednesday stating that the resolution could involve significant capital infusion, divestments and debt restructuring at IL&FS Group, business vertical or platform level and asset level.

The report was also submitted to the Ministry of Corporate Affairs (MCA).

"The primary and core problem for the IL&FS Group is excessive leverage, without commensurate asset values or cash flows, from the perspective of both timing and quantum. Thus, the New Board believes that the Final Resolution will inevitably involve substantial deleveraging from the current levels, notwithstanding the various challenges," the report said. Such deleveraging

BRICK BY BRICK

- At the IL&FS Group level, the resolution is likely to involve capital infusion
- At business vertical level, the resolution may include sale of specific verticals like roads, renewable, real estate, power
- At the asset level, the resolution would involve "asset-by-asset solution"

will necessarily need to be achieved in an orderly manner, considering the scale and complexity of IL&FS Group, in the absence of which there could be dire impact on asset/ company values, especially at the level of certain key verticals, it said.

Either individually or in a combination, a deleveraging exercise usually involves significant capital infusion either from the existing or new investors, asset monetisation to retire debt and resolution or compromise with the creditors.

Hence, a combination of

various options will be chosen to revive the stressed company, it said

At the IL&FS Group level, the resolution is likely to involve capital infusion. At the business vertical or platform level, the resolution may include sale of specific verticals like roads, renewable, real estate and thermal power. At the asset level, the resolution would involve "asset-by-asset solution".

"Majority of the loan liabilities exist at the operating asset level. However, this option may require liquidation of some businesses or assets

that find no meaningful offers from buyers or are significantly unviable," it said.

The new Board will work towards the final resolution, in stages and parts over a period of six to nine months, and there is a possibility of some early partial resolutions in a timeframe of the next two to three months.

However, the early resolutions would be only after NCLT's approval.

The newly nominated directors and joint financial and transaction advisors have already started receiving enquiries from domestic and global investors for various IL&FS Group assets.

The Board has started considering these proposals for divestments.

On Wednesday, the division bench of NCLT at Mumbai directed Ministry of Corporate Affairs to submit an updated list of nominee directors of not only the group company, but also of all the 346 subsidiaries. **Turn to p2**

IL&FS revival plan includes capital...

From p1

Thus, a list of directors of all the 347 entities will have to be submitted to the NCLT in a fortnight.

Along with this, all the subsidiaries, joint ventures, associate companies, joint control operations, etc, too will have to become party to the ongoing litigation. "All the 346 subsidiaries are respondents and all of them should be made party. Every subsidiary is a different entity," division bench of NCLT said.

It was also brought to the notice of the court that during FY16, FY17 and FY18

IL&FS Financial Services had outstanding loans of amounts Rs 5,728 crore, Rs 5,127 crore and Rs 5,490 crore in excess of the permissible limit. NCLT, Mumbai has fixed December 3 as the date of hearing.

Meanwhile, the rights issue approved by the previous IL&FS Board that was open during October 5-19 received a subscription of only Rs 5.47 lakh, and that too from few retail shareholders. No institutional shareholders showed interest. As a result, the new Board will now return the subscription money to those applied to the rights issue.

'IN THE PROCESS OF TAKING CORRECTIVE ACTION'

IL&FS board's report reveals more discrepancies in biz transactions

Indian, global investors keen to acquire assets of IL&FS group, board 'weighing' options

KHUSHBOO NARAYAN & GEORGE MATHEW
MUMBAI, OCTOBER 31

THE NEW board of Infrastructure Leasing and Financial Services (IL&FS) on Wednesday said it is still "unravelling the intra-group borrowings and believes that large parts of the IL&FS group operated as a single enterprise with no boundaries of legal entities and separate managements".

The board has found several other discrepancies in the business transactions of IL&FS group and its subsidiaries and is in the process of taking corrective action. Some of these instances that the board listed in its report include:

The exposure of IFIN — a subsidiary was in excess of Rs 900 crore to companies which are subsidiaries of associates or JVs of IL&FS and IL&FS Employee Welfare Trust. The board said that these exposure "do not get consolidated into the accounts of IL&FS and at the same time, have been treated by the previous management as internal debt".

A certain asset of the IL&FS group was transferred from one entity in the group to another entity in the group in June 2017 at a value of Rs 30.8 crore for cash based on an independent fair val-

SOME OF THE ISSUES HIGHLIGHTED BY BOARD

■ The exposure of IFIN — a subsidiary — was in excess of Rs 900 crore to firms which are subsidiaries of associates or JVs of IL&FS

■ A certain asset of the IL&FS group was

transferred from one entity in the group to another entity in the group in June 2017 at a value of Rs 30.8 crore for cash, and in June 2018, a panel of directors resolved to sell this to a third party at Rs 1 crore

uation, and in just about a year (in June 2018), a committee of directors resolved to sell this to a third party at Rs 1 crore (i.e. at a significant discount to the original intra-group purchase price), the reasons for which the new board finds are inadequately supported, it said.

Post superannuation, IL&FS has been appointing some of its retired employees as consultants. Around 55 individuals have been appointed in this manner at an annual cost of Rs 16.5 crore. Companies in the IL&FS group have leased properties owned by select employees (or their relatives) as guest houses of group companies. Six such properties that were taken on lease and the monthly lease rent aggregated to Rs 15.1 lakh per month and with a deposit of Rs 2.26 crore, the report said.

"This appears to be one of

the key governance shortcomings that has led to a large contagion impact on creditors of the IL&FS Group," the board in its report. The Uday Kotak-led board on Wednesday submitted a blueprint of its revival plan for the troubled infrastructure financier before the National Company Law Tribunal.

The tribunal indicated it will require time to peruse through the plan, setting the next hearing on the matter for December 3. The board also said that several Indian and global investors have expressed interest in acquiring various assets of the IL&FS group and the new board is "weighing on these" and consulting experts for disinvestment.

The board said that a preliminary analysis of the financial statements and records of IL&FS Financial Services (IFIN) for the last 3 financial years, found that

IFIN had outstanding loans and investments to companies in the IL&FS group of Rs 5,728 crore, Rs 5,127 crore and Rs 5,490 crore in FY16, FY17 and FY18 respectively. The board said "prima facie these appear to be significantly in excess of permissible norms, in all of the 3 years".

"If this is applied for calculation of capital adequacy, IFIN would have significant negative capital adequacy in each of these 3 years. Further, we note from records available that loans to one of the companies in the IL&FS group in excess of Rs 1,500 crore had been routed through eight other companies of the IL&FS group, reflecting adoption of circuitous transactions to circumvent regulatory prescriptions," said the board in its report on IL&FS Group.

IFIN's exposure was in excess of Rs 900 crore to companies which are subsidiaries of associates or JVs of IL&FS and IL&FS Employee Welfare Trust. The board said that these exposure "do not get consolidated into the accounts of IL&FS and at the same time, have been treated by the previous management as internal debt.

There was no suitably empowered central financial control function that maintained information and accuracy at the

group level, the report said.

The new board of IL&FS said that the IL&FS group has created valuable assets. However, high leverage, poor returns from investments made, asset liability mismatch and various other factors are "expected to entail sacrifices from various stakeholders in achieving the final resolution".

The Kotak-led board of IL&FS said that it has initiated several austerity measures since they took control of the group. Some of these include a reduction in sitting fees of boards and its committees, rationalisation of salaries of employees, discontinuation of 69 superannuated employees retained as consultants among others. The board said the final resolution of the group could be achieved through measures which may include arrangements, compromises, divestments, restructurings of debt or equity or fresh capitalisation".

The new board will work towards the final resolution, in stages and parts, over the next 6-9 months (subject to market and economic conditions), with the possibility of some early outcomes/part resolutions in the next 60-90 days after obtaining consent of the NCLT for such parts, the IL&FS report said.