

With Direct Resolution of Holding Companies 'Unlikely', IL&FS Board May Sell Group Firms

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New Delhi: The government and the board of directors of debt-laden Infrastructure Leasing and Financial Services (IL&FS) are looking at sale of individual group companies as they believe the direct resolution of vertical holding companies such as IL&FS Transportation Networks is "unlikely".

Under the resolution plan reviewed by ET, the attempt would be to sell individual group companies as an intermediate step to resolving claims against vertical holding companies and the group holding company IL&FS Ltd.

The resolution framework states that the sale of a vertical holding company is unlikely as the debt of operating companies would need to be resolved before a potential investor would be willing to acquire

New Strategy

- Sale of a vertical holding company unlikely as the debt of operating firms would need to be resolved before a potential investor gets interested
- A creditors committee to be formed for all group entities that IL&FS seeks to offer for sale

IL&FS Board expects all assets of the group to be resolved by mid-2019



IL&FS is currently seeking extension of an interim order by NCLT that granted a moratorium on claims against group companies, which the board feels will help resolution

a vertical holding company.

IL&FS is currently seeking an extension of an interim order by the National Company Law Tribunal (NCLT) that granted a moratorium on claims against group companies, which the board feels will help resolution.

The framework also asks the tribunal to restrict suppliers of essential goods and services to IL&FS group companies from terminating supply to them.

Such a restriction could require suppliers whose dues have not been settled by IL&FS group companies to continue supply while the current board of directors seeks to resolve claims against the company.

Under the resolution framework proposed by the board of IL&FS, a creditors committee will be formed for all group entities that IL&FS seeks to sell.

A final bid once accepted by the board of directors will be submit-

ted to the NCLT for approval after which payments will be disbursed to all stakeholders under the waterfall mechanism under Section 53 of the IBC.

In a meeting with key stakeholders of IL&FS, Injeti Srinivas, secretary of the ministry of corporate affairs, said the moratorium was important as under the IBC, operational creditors and unsecured creditors can initiate insolvency proceedings, which could disrupt the entire resolution process, according to minutes of the meeting reviewed by ET.

The company's board expects all the assets of the IL&FS group to be resolved by mid-2019.

The National Company Law Appellate Tribunal on Monday permitted 22 IL&FS group companies that are capable of meeting all payment obligations to begin making payments to service their debts.