

IL&FS May Soon Begin Servicing Debt of 13 Group Entities

Karunjit.Singh@timesgroup.com

New Delhi: Infrastructure Leasing & Financial Services (IL&FS) may soon begin servicing the debt of 13 more group entities, in what could be the first step by the infrastructure group to find a resolution to its debt issues. These 13 entities have total outstanding debt of ₹16,372 crore. In a submission before the National Company Law Appellate Tribunal (NCLAT), IL&FS said it would begin the reclassification process for these companies so that they could make the payments that are currently on hold.

All group companies of IL&FS are

classified according to their ability to meet payment obligations. Companies that could meet all payment obligations are categorised as 'green', while those that could meet only operational payments and senior secured debt obligations are in the 'amber' category. The entities that are unable to make any payments are categorised as 'red'. Currently 55 group entities are classified as 'green' and 13 as 'amber', while 82 are in the 'red' category. Another 11 entities are yet to be classified.

IL&FS plans to reclassify the 'amber' entities as 'green'. The NCLAT has given the government and the company time till July 12 to do the reclassification and release payments.



These 13 entities have total outstanding debt of ₹16,372 cr

IL&FS has agreed in principle to reclassify its group entity Moradabad Bareilly Expressway Ltd (MBEL) as "green", which will enable it to begin servicing debt obligations. IL&FS counsel Ramji Srinivas told the tribunal. It plans to follow the same process to reclassify the other dozen entities.

According to an affidavit filed by IL&FS, the agreement for the reclassification of MBEL as a 'green' entity would include some concessions by lenders, including reduced interest rates on loans by some secured

creditors as well as permission to release of some cash flows to creditors within the IL&FS group as well as operational creditors of MBEL. Its counsel said IL&FS intended to follow the same process for the rest of the 'amber' companies as well.

The NCLAT had in October 2018 granted a moratorium on all claims against IL&FS entities to facilitate an orderly debt resolution of the group, which has total outstanding debt of ₹94,215 crore.

The two-member NCLAT bench led by Justice SJ Mukhopadhyaya said it might pass "appropriate orders" for the release of payments on a proportionate basis "if one or other 'amber' entities are not declared 'green'

and if there seemed to be no likelihood of them being declared 'green'".

In February, the NCLAT ordered that all 'green' entities begin servicing their debt obligations. IL&FS' counsel had argued at the time that payments by 'amber' and 'red' entities be made only after the resolution process for the entire group was completed.

The NCLAT also stressed that the 'amber' companies repay 100% of the amount raised from pension funds and provident fund to protect those investors.

Pension and Provident funds have a total exposure of ₹9,134 crore to the IL&FS group. The case will next be heard on July 12.