



INFRASTRUCTURE LEASING & FINANCIAL SERVICES LIMITED

October 31, 2018

The Sr. General Manager  
Department of Corporate Services,  
BSE Limited,  
1st Floor, PJ Towers, Dalal Street,  
Mumbai 400 001

**Re: Submission of Report on Progress and Way Forward**

Dear Sir/Madam,

This is with reference to the order of the National Company Law Tribunal (Mumbai) ("NCLT") dated October 1, 2018 pursuant to which the new Board of the Company was to report to the NCLT by the next date of hearing, being October 31, 2018

Consequently, the enclosed "*Report on Progress and Way Forward*" ("**Report**") has been submitted to the Ministry of Corporate Affairs, which has further submitted the same to the NCLT. The Company has also submitted along with the Report, a list of entities comprising the IL&FS Group as of March 31, 2018 under Indian GAAP (as enclosed), based on the information currently available to the new Board of the Company. Please note that the same is subject to ongoing verification and changes/ revisions/ corrections

This is submitted for your information

Sincerely,

Varsha Sawant  
Senior Vice President &  
Company Secretary





**IL&FS GROUP**  
**REPORT ON PROGRESS AND WAY FORWARD**

**Dated: October 30, 2018**

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## **I. Preface**

1. This Report is being submitted to the Ministry of Corporate Affairs (“MCA”) pursuant to the order of the Hon’ble National Company Law Tribunal, Mumbai, (“NCLT”) and provides an overview of the magnitude and complexity of the issues, key developments since October 1, 2018 relating to IL&FS Group, some initial insights of the New Board and the indicative way forward.

## **II. Executive Summary**

*Capitalised terms used herein have the meaning as provided in the other Sections of this Report*

### **1. Government Intervention**

- 1.1. On account of massive mismanagement of public funds by the erstwhile board of IL&FS Group and on the grounds that the affairs of IL&FS were being conducted in a manner prejudicial to the public interest, the MCA sought suspension of the previous board of IL&FS and appointment of the New Board.
- 1.2. Pursuant to appointment of the New Board by the NCLT, the Union of India (through the MCA) has made applications and received certain reliefs in respect of protection of the New Board from legal action/ disabilities as well as reliefs such as allowing appointment of a Managing Director from amongst the New Board, appointment of directors on group companies and the Moratorium. A summary of the reliefs have been included in Paragraph 2 of Section III of this Report. These reliefs have enabled the New Board to be effective in taking control of the IL&FS Group and working towards the Final Resolution.

### **2. New Board Takes Charge**

- 2.1. The New Board has taken significant steps towards taking charge of the IL&FS Group, while balancing it with continuation of normal course day to day operations, as much as possible under the circumstances. In this regard, certain key actions taken by the New Board are set out in Paragraph 10 of Section III of this Report.

### **3. Magnitude and Complexity of the Problem**

- 3.1. The initial assessment of key facts by the New Board, specifically a group level description of the holding structure and the debt profile (vertical wise) is provided in Paragraph 4 and 5 of the Section III of this Report.
- 3.2. Complexities pursuant to multiple layers, varied interests of various stakeholders, diverse businesses with varied age, scale and market positions of these businesses, different jurisdictions, and significant intra-group transactions make the Final Resolution challenging to design and implement. Further details on the New Board’s assessment of the complexities and challenges and initial insights are set out in Paragraphs 6 and 7 of Section III of this Report.

#### **4. Approach to the Resolution**

- 4.1.** While it has been just under one month since the New Board has taken charge and is still working towards unravelling the complexities of holding structures, entities and businesses of the IL&FS Group, there is high level assessment of the key considerations for the Final Resolution as well as broadly, the options available.
- 4.2.** The New Board is conscious of its mandate in ensuring a transparent resolution process, while keeping public interest, financial stability, legality, various stakeholder interests and commercial feasibility in view. In this regard, the New Board has set out its objectives for the Final Resolution in Paragraph 1 of Section IV of this Report.
- 4.3.** The New Board's current assessment is that the resolution options could broadly involve (individually or in a combination) capitalisation, divestments, debt restructurings or debt for equity swaps at any one or more levels. Further details in this regard are provided in Paragraph 2 of Section IV of this Report.
- 4.4.** 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). The indicative next steps and best efforts timelines, per the current assessment of the New Board, are set out in Paragraphs 3 and 4 of Section IV of this Report.

### **III. Relevant Background and Update**

#### **1. Mandate of the New Board**

- 1.1.** The Union of India (through the MCA) had filed Company Petition No. 3638 before the NCLT, under Sections 242(1) and 242(2) of the Companies Act, 2013 (“**Companies Act**”), seeking immediate suspension of the board of directors of Infrastructure Leasing & Financial Services Limited (“**IL&FS**”) and appointment of specified new directors, on the grounds of massive mismanagement of public funds by the erstwhile board of IL&FS Group and the affairs of IL&FS being conducted in a manner prejudicial to the public interest.
- 1.2.** By way of an order dated October 1, 2018 passed by the NCLT (“**NCLT – October 1 Order**”), the NCLT invoked its powers under Sections 242(1) and 242(2) of the Companies Act and granted the interim prayer of suspending the existing board of directors of IL&FS as on October 1, 2018 and reconstituting the same with the six persons proposed by the Union of India. By way of a subsequent order of the NCLT dated October 3, 2018, based on the proposal by the Union of India, the NCLT allowed the appointment of one additional person to the Board of Directors of IL&FS. Accordingly, by way of the aforementioned orders of the NCLT, the Board of Directors of IL&FS was reconstituted with the following seven new Directors (“**New Board**”):
  - (a) Mr. Uday Kotak;
  - (b) Mr. Vineet Nayyar;
  - (c) Mr. G. N. Bajpai;
  - (d) Mr. G. C. Chaturvedi;
  - (e) Dr. Malini Shankar;
  - (f) Mr. Nand Kishore; and
  - (g) Mr. C. S. Rajan.
- 1.3.** Considering the systemically important nature of the IL&FS Group (as defined below in Paragraph 4.1(b) of Section III), the NCLT noted that the Government of India was of the view that a new management of IL&FS was required to be constituted, as the continuance of the erstwhile directors would be prejudicial to the interests of IL&FS, its members and further would not be in public interest due to the adverse impact on financial stability. Thus, it noted, that a governance and management change was required to bring back the IL&FS Group from financial collapse and in this regard, the New Board may attempt to restore the financial solvency of the IL&FS Group (the “**Final Resolution**”)
- 1.4.** Accordingly, by way of the NCLT – October 1 Order, the NCLT, *inter alia*, directed the New Board to take over IL&FS immediately and thereafter to report to the NCLT by the next date of hearing, being October 31, 2018.

- 1.5. One of the primary tasks undertaken by the New Board, upon being appointed pursuant to the NCLT – October 1 Order is fact finding with regard to the actual structure of the IL&FS Group and its financial position, in order to be able to identify the exact contours of the IL&FS Group, its diverse operations and the obligations which need to be resolved. In this exercise, the New Board is being supported by the existing employees of the IL&FS Group and external experts/ advisors. The process of assessing and verification of such facts is an ongoing exercise (including audits, as may be required) and is subject to further internal and external validation. Therefore, the information and analysis as set out herein is based on data provided by the relevant IL&FS Group entities to the New Board and is subject to ongoing verification and changes/ revisions/ corrections.

## **2. Summary of NCLT/ NCLAT Reliefs Received**

- 2.1. Considering that the New Board was appointed by the NCLT on the recommendation of the Government of India, certain protective and enabling reliefs were required from the NCLT for the purpose of effective functioning of the New Board and the implementation of the order of the NCLT dated October 1, 2018.
- 2.2. Pursuant to Miscellaneous Application No.1110 of 2018 filed by the Union of India in Company Petition No.3638 of 2018, the NCLT *vide* its order dated October 5, 2018 thought it just and necessary in public interest that the New Board appointed with the approval of the NCLT be given some protection and accordingly granted the following reliefs:
- (a) The members of the New Board would not suffer any disqualifications under the Companies Act on account of defaults committed by suspended directors of IL&FS;
  - (b) The New Board would have the same powers exercised by the suspended Board of Directors of the Company;
  - (c) No actions are to be initiated against the members of the New Board, without prior approval of the NCLT, for past actions of the suspended Directors or any officers of IL&FS and the past wrongs of the suspended Directors and officials of IL&FS; and
  - (d) The members of the New Board are not to be subject to disability or disqualification under Sections 164 and 167 of the Companies Act on account of being appointed as Directors of IL&FS.
- 2.3. The Union of India subsequently filed another application seeking clarifications to the NCLT's order dated October 5, 2018 pursuant to which the NCLT *vide* order dated October 9, 2018 issued the following clarifications/directions:
- (a) Permitting the New Board to elect among themselves any Director to act as Whole-Time Director and/or Managing Director and further directing that no procedure prescribed in the Memorandum /Articles of Association of IL&FS or under the Companies Act and rules thereunder are required to be followed in this regard;

- (b) Permitting the New Board to replace the directors of the subsidiaries, joint ventures and associate companies of IL&FS as per the existing provisions of the Memorandum and Articles of Association of IL&FS;
- (c) Clarifying that the actions of the New Board done in good faith, in the interest of IL&FS, various stakeholders including public at large, are protected.

**2.4.** The Union of India *vide* its application MA 1173/2018 in C.P No. (MB)/2018 sought a comprehensive moratorium qua IL&FS and IL&FS Group companies against certain creditor action on the basis that considering the impending threat of adverse legal actions by creditors and the absence of a legal framework to address the financial crisis of the IL&FS Group, the New Board would require the status quo to be preserved in respect of the business and assets of IL&FS and the IL&FS Group in order to effectively implement the orders of the NCLT and arrive at a fair resolution for the IL&FS Group. This was declined by the NCLT by its order dated October 12, 2018. However, on appeal, the National Company Law Appellate Tribunal (“**NCLAT**”) *vide* order dated October 15, 2018 in Company Appeal (AT) No. 346 of 2018 and Company Appeal (AT) No. 347 of 2018 granted the stay of (“**Moratorium**”):

- (a) The institution or continuation of suits or any other proceedings by any party or person or bank or company, etc. against IL&FS and 348 IL&FS Group companies in any court of law/tribunal/arbitration panel or arbitration authority;
- (b) Any action by any party or person or bank or company, etc. to foreclose, recover or enforce any security interest created over the assets of IL&FS and its 348 group companies including any action under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
- (c) The acceleration, premature withdrawal or other withdrawal, invocation of any term loan, corporate loan, bridge loan, commercial paper, debentures, fixed deposits, guarantees, letter of support, commitment or comfort and other financial facilities or obligations availed by IL&FS and its 348 group companies whether in respect of the principal or interest or hedge liability or any other amount contained therein.
- (d) Suspension of temporarily the acceleration of any term loan, corporate loan, bridge loan, commercial paper, debentures, fixed deposits and any other financial facility by the IL&FS and its 348 group companies by any party or person or bank or company, etc. as of the date of first default;
- (e) Any and all banks, financial institutions from exercising the right to set off or lien against any amounts lying with any creditor against any dues whether principal or interest or otherwise against the balance lying in any bank accounts and deposits, whether current or savings or otherwise of the IL&FS and its 348 group companies.



- (f) The interim order to continue until further orders and not be applicable to any petition under Article 226 of the Constitution of India before any Hon'ble High Court or under any jurisdiction of the Hon'ble Supreme Court.

### **3. Significance of the IL&FS Group to the Economy and Financial Stability**

- 3.1.** The systemic importance of the IL&FS Group was highlighted in the Company Petition No. 3638 of 2018 before the NCLT, filed by the Union of India (through the MCA) ("**Original Petition**"). It was stated that the IL&FS Group is significant to financial markets because the majority of the debt obligation of IL&FS, an amount of Rs. 57,000 crores out of the Rs. 91,000 crores (estimated at the time of the petition), is from the public sector banks and institutions and that the majority of the capital invested in IL&FS is by public financial institutions like the Life Insurance Corporation of India, State Bank of India, Central Bank of India besides UTI, AMC etc.
- 3.2.** The MCA had further noted in the Original Petition based on a Confidential Note dated September 30, 2018 from the Department of Economic Affairs that on a consolidated basis, the borrowing of IL&FS from banks and financial institutions (debentures, loans, cash credit and commercial paper) comes to about Rs. 63,000 crores as per the balance sheet of 2017-2018. If the exposure of banks to the IL&FS Group is assumed to be about Rs. 53,000 crores, then considering that the exposure of the entire banking sector to all NBFCs is about Rs. 3.3 lakh crores, 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%. Therefore, there is substantial public interest in ensuring financial solvency and good governance and management of this Group. The cascading impact of the default by the IL&FS Group on the financial sector would be quite substantial as evidenced from a partial default of some companies and its repercussions in the financial market in the month of September, 2018. The future impact of more defaults in the Group, if not addressed in an orderly manner, may be catastrophic for the financial stability.
- 3.3.** Furthermore, it also stated that the IL&FS Group is involved in many infrastructure projects by way of project financing and also equity and debt financing. Any sudden impairment in its ability to finance and support the infrastructure projects would be quite damaging to the overall infrastructure sector, financial markets and the economy, considering its systemically important nature and its borrowing level of Rs. 91,000 crores. Therefore, the timely intervention by the Union of India was required to prevent collapse of the IL&FS Group and to limit the contagion effect on the markets.

#### 4. IL&FS Group – A Business Overview

##### 4.1. IL&FS – the holding company

- (a) IL&FS is a company incorporated under the Companies Act, 1956 and is registered as a Core Investment Company (“**CIC**”) under the Reserve Bank of India Act, 1931 ( “**RBI Act**”) with a certificate of registration dated September 11, 2012 issued by the Reserve Bank of India (“**RBI**”). IL&FS has issued listed debt securities.
- (b) IL&FS is the holding company for diversified businesses which can broadly be categorized in the following segments:
- (i) infrastructure services and assets; and
  - (ii) financial services.

A snapshot of the businesses of IL&FS in the sectors is set out below:

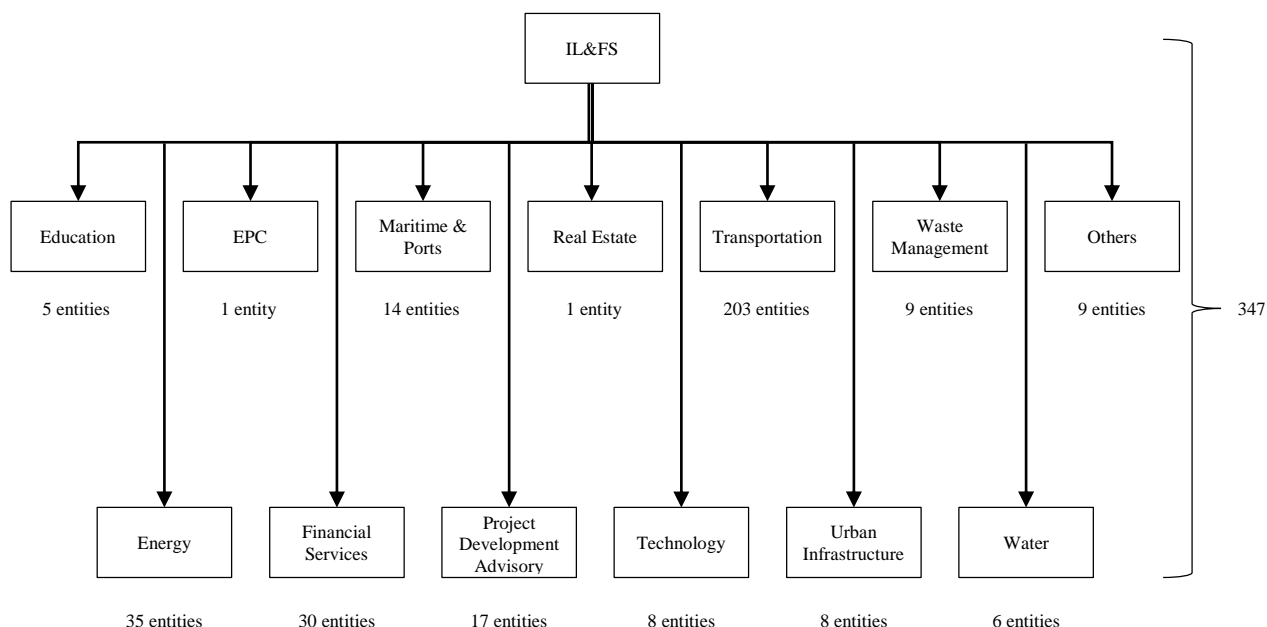
<b>INFRASTRUCTURE*</b>		<b>FINANCIAL SERVICES**</b>	
<b>Key holding company</b>	<b>Sector</b>	<b>Key entity</b>	<b>Sector</b>
<b>ITNL</b>	Transportation	<b>IFIN</b>	Financial Services
<b>IEDCL</b>	Energy	<b>IIML</b>	Private Equity
<b>IMICL</b>	Maritime	<b>IIAML</b>	Mutual Fund
<b>IETSL</b>	Education	<b>ISSL</b>	Securities Brokerage Business
<b>IEISL</b>	Waste Management and Environmental Services		
<b>ITL</b>	Information Technology		
<b>ITUAL</b>	Urban Development		
<b>IWL</b>	Water		
<b>IECCL</b>	Engineering & Construction		
<b>HPCL</b>	Real Estate		

\* Refer to Paragraph 4.2 of this Section III for further details

\*\* Refer to Paragraph 4.3 of this Section III for further details

Each of these businesses are conducted through various (direct and indirect) subsidiaries, joint venture entities (whether jointly controlled or not), jointly controlled operations (unincorporated), and associate companies, both in India as well as overseas jurisdictions (collectively, the “**IL&FS Group**”).

- (c) A diagrammatic representation of the broad IL&FS Group structure, vertical wise is as follows (for further details on the exact number of entities comprising the IL&FS Group, refer to Paragraph 4.5 of Section III of this Report):



## 4.2. IL&FS – Infrastructure Business

IL&FS operates and has investments in a wide variety of businesses within the larger infrastructure sector. Each of these investments are held through intermediate holding companies for each sector and a brief description (as provided by the respective operating management teams) of the key holding companies is set out below:

S. No.	Name of Holding Company	Sector	Brief Description*
1.	IL&FS Transportation Networks Limited (“ITNL”)	Surface Transportation	<ul style="list-style-type: none"> <li>Promoted by IL&amp;FS, ITNL is a listed company with IL&amp;FS holding 73.2% of its share capital. ITNL is the largest private sector Build-Operate-Transfer’ (“BOT”) road asset portfolio in India (with approximately 12,065 lane kilometers). It also has global operations in jurisdictions such as Spain, US, Africa, UAE and China.</li> <li>ITNL is also present in other areas such as mass rapid transport</li> </ul>

S. No.	Name of Holding Company	Sector	Brief Description*
			system, urban transportation, border check post, etc.
2.	IL&FS Energy Development Company Limited (“IEDCL”)	Power Sector	<ul style="list-style-type: none"> <li>IL&amp;FS holds 91.6% of the share capital of IEDCL, the flagship company of the Energy vertical.</li> <li>IEDCL has a portfolio of over 2900 MW of operational power projects and various projects in the conventional as well as the renewable energy segment which are operational and under development either directly or through its subsidiaries / joint ventures.</li> </ul>
3.	IL&FS Maritime Infrastructure Company Limited (“IMICL”)	Maritime	<ul style="list-style-type: none"> <li>IMICL (in which IL&amp;FS holds 90% of the share capital) was incorporated in 2006 as a separate vertical for undertaking and expanding the maritime and logistics initiatives of the IL&amp;FS Group as a sponsor and developer. IMICL’s project portfolio is diversified across the maritime and logistics sector with projects that include multipurpose berths, tank terminals, integrated maritime complex with a shipyard, in India and the UAE.</li> </ul>
4.	IL&FS Education & Technology Services Limited (“IETSL”)	Education	<ul style="list-style-type: none"> <li>A subsidiary of IL&amp;FS (holding 68.9% of its share capital), IETS is operates primarily in sectors relating to education, employability and employment opportunities. It has partnered with various governments to set up computer labs and through its subsidiaries also provides vocational training and commercially sustainable integrated solutions for development of micro, small and medium enterprises.</li> </ul>

S. No.	Name of Holding Company	Sector	Brief Description*
5.	IL&FS Environment & Infrastructure Services Limited (“ <b>IEISL</b> ”)	Waste Management and Environmental Services	<ul style="list-style-type: none"> <li>A subsidiary of IL&amp;FS (holding 97.5% of its share capital), IEISL has established a waste management platform.</li> <li>Currently, IEISL has 36 plants managing an aggregate capacity of 16,400 TPD and has demonstrated capabilities across various segments in the Integrated Waste Management (IWM) space.</li> </ul>
6.	IL&FS Technologies Limited (“ <b>ITL</b> ”)	Information Technology	<ul style="list-style-type: none"> <li>ITL, a subsidiary of IL&amp;FS (in which it holds 58.3% of the equity share capital), is focused on creating and enhancing customer experience through business process management, analytics, system integration and managed services.</li> </ul>
7.	IL&FS Townships and Urban Assets Limited (“ <b>ITUAL</b> ”)	Urban Development	<ul style="list-style-type: none"> <li>ITUAL is a 100% subsidiary of IL&amp;FS and focusses on creating infrastructure to support urban habitation i.e. development of integrated townships, affordable housing, sports and social infrastructure.</li> <li>IL&amp;FS and the Government of Gujarat have envisaged development of an International Financial Service Centre named Gujarat International Finance Tec-City (“<b>GIFT</b>”) near Gandhinagar with part development rights held by ITUAL.</li> </ul>
8.	IL&FS Water Limited (“ <b>IWL</b> ”)	Water	<ul style="list-style-type: none"> <li>A subsidiary of IL&amp;FS (holding 95% of its share capital), IWL was incorporated in 2007 to focus on water and water effluent treatment projects and has expertise in project development across bulk water supply, waste water</li> </ul>

S. No.	Name of Holding Company	Sector	Brief Description*
			<p>recycling, desalination, operation &amp; maintenance of water utilities.</p> <ul style="list-style-type: none"> <li>Apart from IWL, IL&amp;FS has set up IL&amp;FS Paradip Refinery Water Limited (“<b>IPRWL</b>”) to develop the bulk water supply project on BOOT basis for IOCL’s 15 MMTPA Refinery being set up at Paradip, Odisha.</li> </ul>
9.	IL&FS Engineering and Construction Company Limited (“ <b>IECCL</b> ”)	Engineering & Construction	<ul style="list-style-type: none"> <li>IECCL is a listed company (with IL&amp;FS as a promoter holding 42.25% of the share capital) and is engaged in infrastructure development, construction and project management.</li> </ul>
10.	Hill County Properties Limited (“ <b>HCPL</b> ”)	Real Estate	<ul style="list-style-type: none"> <li>HCPL is a Hyderabad based real estate company originally promoted by the Raju family and the IL&amp;FS Group was inducted as the promoter of HCPL by way of an order passed by the Company Law Tribunal in January 2011.</li> </ul>

*\* The percentage shareholdings mentioned in this table refer to percentages included in the audited consolidated financial statements of IL&FS for FY 18. Further, it appears that these do not take into account conversion of any outstanding convertible instruments, status of which the New Board is ascertaining*

Each of the key holding companies set out above have various subsidiaries, joint ventures and associate companies operating under the holding companies through which the relevant businesses are conducted.

#### 4.3. *IL&FS – Financial Services Business*

IL&FS also undertakes a wide array of financial services through the following key holding companies:

S. No.	Name of Holding Company	Sector	Brief Description*
1.	IL&FS Financial Services Limited (“ <b>IFIN</b> ”)	Non-banking financial business and investment banking	<ul style="list-style-type: none"> <li>A wholly owned subsidiary of IL&amp;FS, IFIN was incorporated in 1995 and is registered with the RBI as a systemically non-banking financial company (“<b>NBFC</b>”) in 2006. It is involved in providing financing solutions and has capabilities in funding infrastructure projects, including public private partnerships, sponsor and SPV-level financing.</li> </ul>
2.	IL&FS Investment Managers Limited (“ <b>IIML</b> ”)	Private Equity	<ul style="list-style-type: none"> <li>Incorporated in 1986, IIML is a listed company (with IL&amp;FS holding 50.42% in IIML) and is Private Equity Fund Manager which manages SEBI registered funds investing across sectors and has till date raised over US\$ 3.5 bn from global and domestic investors.</li> <li>IIML is also registered with SEBI as a ‘portfolio manager’. Its subsidiaries and associates also manage/advise various equity and debt funds,</li> </ul>
3.	IL&FS Infra Asset Management Limited (“ <b>IIAML</b> ”)	Mutual Funds	<ul style="list-style-type: none"> <li>IIAML is a subsidiary of IIML (which holds 86.6% of the share capital of IIAML). IIAML was set up in 2013 and is the asset manager of IL&amp;FS Infrastructure Debt Fund.</li> <li>IIAML has launched 8 schemes till date and manages assets of approximately INR 2,200 crore and has made investments in multiple portfolio companies under various sub-sectors of the infrastructure sector.</li> </ul>
4.	IL&FS Securities Services		<ul style="list-style-type: none"> <li>ISSL was incorporated in July 2006 (with IL&amp;FS currently holding 81.2% of its share capital) and provides a range of capital market related services including depository, custodial,</li> </ul>

S. No.	Name of Holding Company	Sector	Brief Description*
	Limited (“ISSL”)		professional clearing, credit portfolio management and back office operations for small and mid-sized brokers and financial institutions.

*\* The percentage shareholdings mentioned in this table refer to percentages included in the audited consolidated financial statements of IL&FS for FY 18. Further, it appears that these do not take into account conversion of any outstanding convertible instruments, status of which the New Board is ascertaining*

#### **4.4. Offshore Entities**

Following are details of offshore entities of certain key companies of the IL&FS Group. Further information in this regard is being collated and is subject to further verification.

- (a) ITNL (which is the key holding company for the surface transportation business of the IL&FS Group) has 42 entities in overseas jurisdictions such as Singapore, Spain, USA, Dubai, China and Africa.
- (b) IMICL (which is the key holding company for the maritime business within the IL&FS Group) has two (2) overseas subsidiaries in the UAE, which undertake development and operation of a liquid storage tank terminal and providing marketing services for tank terminals and consulting services for infrastructure, oil and gas projects in that region.
- (c) IFIN (which is the key entity within the IL&FS Group operating in the financial services sector) has four (4) overseas subsidiaries (in the United Kingdom, Hong Kong, Singapore and Dubai), each of which is registered with the relevant financial services regulator in that jurisdiction.

#### **4.5. Entities forming part of the IL&FS Group**

The operations of the IL&FS Group are conducted through a complex maze of various direct and indirect holding companies, subsidiaries, associate companies as well as unincorporated entities (including where the IL&FS Group has non-controlling stakes), which is further complicated by a multi-layered structure. As part of the submissions made to NCLT and the NCLAT in the petition seeking the Moratorium, it was mentioned that 348 entities were part of IL&FS Group. The New Board had sought confirmation by the statutory auditor of the number of entities that formed part of the IL&FS Group.

In this regard, the New Board has received a report from the statutory auditor of IL&FS, SRBC & Company LLP dated October 29, 2018, in connection with the list of entities that comprise the IL&FS Group as of March 31, 2018, aggregating to 347 (enclosed herewith as **Annexure 1**).



A broad split of these entities across the IL&FS Group set out below:

Area of Operations	IL&FS	Subsidiaries	Joint Ventures / Jointly Controlled Entities	Associates	Joint Control Operations	Total Entities*
IL&FS Ltd.	1					1
Education		5				5
Energy		29	5	1		35
EPC				1		1
Financial Services		27	3			30
Maritime & Ports		11		3		14
Project Development Advisory		1	14	2		17
Real Estate				1		1
Technology		5	3			8
Transportation		72	9	9	113	203
Urban Infrastructure		3	3	2		8
Waste Management		8	1			9
Water		4	2			6
Others		5	4			9
<b>Grand Total</b>	<b>1</b>	<b>170</b>	<b>44</b>	<b>19</b>	<b>113</b>	<b>347</b>

\* As of March 31, 2018 under Indian GAAP

The New Board has also been given to understand that the afore-mentioned list does not cover certain related entities which, in practice but not necessarily *de jure*, may be considered part of the IL&FS Group. The New Board is undertaking further steps to reconcile the difference in the assessments of the entities forming part of the IL&FS Group.

#### 4.6. Various Layers of Entities comprising IL&FS Group

Following is a representation of the multi-layered structure of the legal entities that comprise IL&FS Group, which as may be noted from the table below is structured through as many as 4 (four) layers of entities:

Nature of Entity	Level of Entity from Parent L0 = IL&FS L1 = One Level Down L2 = Two Levels Down..etc	Number of Entities
<b>Parent Holding Co.</b>		<b>1</b>
	L0	1
<b>Intermediate Holding Co.</b>		<b>14</b>
	L1	9
	L2	3
	L3	2
<b>Operating Level Co.</b>		<b>332</b>
	L1	32
	L2**	122
	L3	36
	L4*	142
<b>Total</b>		<b>347</b>

\* Includes jointly controlled operations, being Grusamar Elsamex Atenea; UTE Control 7 Geoplaning and UTE Prointec Intevia Gestinsa, subject to further verifications.

\*\* Includes unincorporated subsidiaries - ITNL KMB JV / PLSC Kyimetrobud (KMB); and ITNL IECCL JV / MP Road Development Corporation, subject to further verifications

### 5. IL&FS Group – An Overview of the Debt Position

#### 5.1. Summary of debt profile

*The information as set out below is the best estimate analysis of information provided by the relevant IL&FS Group entities to the New Board and is subject to ongoing verification by the New Board with the assistance of external advisors/ experts and is subject to changes/ revisions/ corrections, including on account of verification/ reconciliation of exact number of entities within the IL&FS Group.*

*To the extent the data refers to debt availed by entities in foreign currency, such exposures have been included here in INR (at exchange rates adopted by the respective companies).*

A summary of the debt profile of the IL&FS Group (comprising fund based, as of October 8, 2018 and non-fund based, as of September 30, 2018), by type of entity is set out below:

Type of Entity	External Creditors (Principal Outstanding in INR Mn)		Group Creditors* (in INR Mn)	
	Fund Based	Non Fund Based	IL&FS Exposure to Group (Fund Based)	IFIN Exposure to Group (Fund Based)
IL&FS	180,525	10,721	-	-
Subsidiaries	648,309	24,245	202,671	49,231
Joint Ventures / Jointly Controlled Entities	93,897	-	5,130	7,656
Associates	19,425	16,422	40,863	6,922
Joint Control Operations	-	-	-	-
<b>Total - Aggregated</b>	<b>942,156</b>	<b>51,388</b>	<b>248,664</b>	<b>63,809</b>
<b>Total - Non Aggregated</b>	<b>828,834</b>	<b>34,966</b>	<b>248,664</b>	<b>63,809</b>

\* this does not include lending arrangements entered into with certain entities which have not been considered part of the IL&FS Group in the past and where the connections with the IL&FS Group are being reviewed (such as IL&FS Employee Welfare Trust)

With regard to the information set out above, it is pertinent to note as follows:

- (i) the estimates relating to the: (a) fund based figures are as of October 8, 2018; and (b) non-fund based figures are as of September 30, 2018 ;
- (ii) the figures above (to the extent that they relate to non-fund based facilities) only take into account letters of credit and bank guarantee facilities which have been availed from banks/ financial institutions and do not include corporate guarantees, debt service reserve arrangements or other similar 'keep well' financing arrangements;
- (iii) a reference to 'External Creditors' in the table above is to creditors who are not part of the IL&FS Group whereas the reference to 'Group Creditors' is to IL&FS and IFIN which (are part of the IL&FS Group) and have advanced loans to other IL&FS Group entities and will also be creditors to such IL&FS Group Companies. The amounts reflected as lending to group entities need to be reconciled after considering such other entities that may be considered as part of IL&FS Group;
- (iv) the figures relating to IFIN (in its capacity as a Group Creditor in the table above) only reflect the direct financing given by IFIN to the relevant IL&FS Group company;
- (v) the 'Group Creditors' (referred to above) may have also lent to certain entities which may not be part of the IL&FS Group and the reconciliation of these amounts is being carried out and is subject to internal and external verification;

- (vi) the reference to:
- (a) **‘Total – Aggregated’** in the table above reflects the entire debt of the IL&FS Group entities (including Associates and JVs) even though the actual amount which is required to be consolidated into IL&FS (basis the shareholding which IL&FS has in such entity, whether direct or indirect) is lower and accordingly may include debt that may not need to be resolved; and
  - (b) **‘Total – Non Aggregated’** in the table above reflects the financial debt of the IL&FS Group but *excludes* the entire debt availed by all joint venture entities, associate companies, joint controlled operations and joint controlled entities within the IL&FS Group. (even though in practice and depending on the contractual obligations if any, a part of it may have to be consolidated at IL&FS basis the shareholding which IL&FS has in such entity, whether direct or indirect).

## **5.2. Debt Overview by of Nature of Creditors & Security**

- (a) A snapshot of the break-up of the creditors of the IL&FS Group based on their status as secured or unsecured creditors (as of October 8, 2018) at the various layers of entities of IL&FS Group, and by the type of creditor, is set out below:

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Type of Security (whether secured or unsecured)	Entity Level in IL&FS Structure where borrowing is availed	Category of Creditor and exposure to outstanding fund based facilities (as of October 8, 2018) (in INR Mn)										Total (in INR Mn)
		Nationalised Banks	NCDs	Other Banks	Financial Institutions	Foreign Banks	Commercial Paper	NBFC	Corporates	State Govt.	Others	
Secured		343,264	192,467	60,252	77,790	39,227		10,812	528		9,247	733,586
	IL&FS (as the ultimate parent company)	14,550	95,186	8,750	6,046	1,000						125,532
	At the level of the key holding companies (below IL&FS) or a lower level holding co	87,709	23,910	29,093	7,600	16,676		2,421	130		8,719	176,257
	Operating Level	241,005	73,371	22,409	64,144	21,552		8,391	397		528	431,797
Unsecured		10,556	65,204	34,110	13,587	21,080	30,283	6,264	10,498	6,020	10,970	208,570
	IL&FS (as the ultimate parent company)		69	20,000	8,137	2,600	19,323		4,865			54,993
	At the level of the key holding companies (below IL&FS) or a lower level holding co	6,489	35,655	3,210		2,425	2,980	653			4,585	56,754
	Operating Level	4,067	29,480	10,900	5,450	16,055	7,980	5,611	5,632	6,020	6,385	96,823
<b>Total</b>		<b>353,820</b>	<b>257,670</b>	<b>94,362</b>	<b>91,377</b>	<b>60,307</b>	<b>30,283</b>	<b>17,076</b>	<b>11,025</b>	<b>6,020</b>	<b>20,216</b>	<b>942,156</b>

- (b) Of the total borrowings from each category of creditors, the percentage of borrowing from such category that is secured is set out below:

Entity Level in ILFS Structure	Category of Lender / Investor										Overall
	Nationalised Banks	NCDs	Other Banks	Financial Institutions	Foreign Banks	Commercial Paper	NBFCs	Corporates	State Govt.	Others	
IL&FS (as the ultimate parent company)	97.0%	74.7%	63.9%	85.1%	65.0%	0.0%	63.3%	4.8%	0.0%	45.7%	<b>77.9%</b>
At the level of the key holding companies (below IL&FS) or a lower level holding co	96.9%	59.9%	78.5%	92.9%	67.4%	0.0%	63.3%	8.6%	0.0%	45.7%	<b>79.8%</b>
Operating Level	98.3%	71.3%	67.3%	92.2%	57.3%	0.0%	59.9%	6.6%	0.0%	7.6%	<b>81.7%</b>

### 5.3. Overview of overdue amounts

As of October 8, 2018, the overdue amounts relating to financial debt (comprising of defaulted principal amounts and interest payments) within the IL&FS Group aggregates to INR 47,761 Million. This figure does not take into account (a) those facilities which have been accelerated (i.e. where demands have been made for repayment of the entire principal amounts on account of existing defaults under the credit facilities); (b) crystallisation of non fund based facilities; and (c) default interest accruing on account of such defaults.

A snapshot of the overdue amounts as of October 8, 2018, categorised by vertical, is set out below:

Area of Operations (Entity)	Aggregate Overdue Amounts relating to Fund Based Facilities (in INR Mn)		
	Principal	Interest	Total
Parent (IL&FS Ltd.)	12,879	2,128	15,006
Education	-	-	-
Energy (IEDCL)	1,044	207	1,251
EPC (IECCL)	204	9	213
Financial Services (IFIN)	14,263	1,455	15,718
Maritime & Ports	-	-	-
Real Estate (HCPL)	84	334	418
Technology	-	-	-
Transportation (ITNL & its Subs, JVs, Associates)	11,412	3,258	14,670
Urban Infrastructure (ITUAL & its subs)	264	20	285
Waste Management (IEISL & its subs)	128	72	201
Water	-	-	-
<b>Total</b>	<b>40,278</b>	<b>7,483</b>	<b>47,761</b>

## 6. Complexity and Challenges

- 6.1. The New Board is dealing with the ongoing discovery of challenges arising from multiple layers and types of holding structures and interests within the IL&FS Group (ranging across subsidiaries, associates, joint ventures to unincorporated entities) through which diverse businesses (ranging from roads to information technology to financial services) are being undertaken.
- 6.2. Further, the expanse of such the interests of the IL&FS Group is also very wide in terms of the number of entities involved and the jurisdictions along with substantial size of these interests, both from the perspective of financials and strategic importance. Given that IL&FS has numerous joint controlling stakes in many of its entities, there are challenges in finding a resolution as rights of third parties need to be considered.

- 6.3. The New Board recognises that the resolution of the offshore entities require special considerations as the efforts there will be subject to laws of those jurisdictions and may not be possible to resolve through the current proceedings under Indian law as it will have inherent limitation.
- 6.4. The complexity arising from the above is compounded by the significant intra-group financial transactions undertaken within the IL&FS Group. Specifically, it appears that significant borrowings at IL&FS and IFIN have been raised for deployment at operating companies, resulting in very high leverage and asset liability mismatch, as well as varied nature/quality of security for secured lenders at these entity levels.
- 6.5. The key financial issue affecting the IL&FS Group is high level of aggregate leverage which is disproportionate to the aggregate economic value of its business assets, or cash flows. This has understandably led to inadequate cash flows impacting its solvency and day to day operations. The mismatch of cash flows is compounded by diverse nature and type of creditors and the structure of the IL&FS Group as that increases the difficulties in using the surplus cash flow at the operating entity level. For instance, on this basis, it is a challenge to service debt at a group or upstream level holding company, where there is a shortfall in debt service, even if there are some profitable projects in the operating companies below.
- 6.6. While recognising the complexities and challenges set out above, the New Board is additionally facing a significant challenge of lack of reliable information and gaps in the data in working towards a resolution. The New Board has noted that under the previous management, there was no suitably empowered central financial control function that maintained information and accuracy at the group level. Critical decisions on prioritising use of funds and making payments were taken by individual entities without a central control function.

## **7. Insights of the New Board on the State of Affairs**

- 7.1. The New Board has spent significant time in familiarising itself with the factual business and financial position of the IL&FS Group and believes that the situation requires the New Board to navigate through all the complexities enumerated earlier to arrive at the Final Resolution.
- 7.2. The New Board recognises the systemic importance of the IL&FS Group, the high level of debt that requires resolution and therefore the speed for execution required to ensure the Final Resolution is achieved.
- 7.3. The New Board continues its efforts in unravelling the intra-group borrowings and believes that large parts of the IL&FS Group were, in the past, operated as a single enterprise with no boundaries of legal entities and separate managements. 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. For instance, on a preliminary analysis of the financial statements and records of IFIN for the last 3 financial years, it is noticed 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. 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 Crores had been routed through eight (8) other companies of the IL&FS Group, reflecting adoption 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.

- 7.4. The New Board has also been given to understand that there are certain entities which, in practice but not necessarily *de jure*, may have been considered part of the IL&FS Group for the purposes of funding. For instance, IFIN has an exposure in excess of INR 900 Crores 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'.
- 7.5. Further, the New Board is unable to validate whether due processes and transparency have 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 INR 30.8 Crores for cash based on an independent fair valuation, and in just about a year (in June 2018), a committee of directors resolved to sell this to a third party at INR 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.
- 7.6. The New Board understands that post superannuation, IL&FS has been appointing some of its retired employees as consultants totalling 55 individuals at an annual cost of Rs. 16.5 Crores. The New Board has resolved to cancel the contracts of these consultants subject to some exceptions.
- 7.7. Further, the New Board has discovered that companies in the IL&FS Group have had the practice of leasing properties owned by select employees (or their relatives) as guest houses of group companies. Even as the New Board is undertaking further reviews of all such arrangements, illustratively, in relation to 6 such properties that were taken on lease, the monthly lease rent aggregated to INR 15.1 Lakhs per month and with a deposit of INR 2.26 Crores. The New Board has initiated steps to terminate such leases.
- 7.8. The New Board has also noted that under the previous management, there was no suitably empowered central financial control function that maintained information and accuracy at the group level. For instance, there is no available central repository of bank accounts in IL&FS and there is a challenge in extracting data and consolidating outputs as the data has been stored in different formats and different ERP systems across the IL&FS Group.
- 7.9. The New Board recognises that over the years, 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 which is inevitable in a situation such as this.

- 7.10. The endeavour of the New Board is to finding a fair resolution having regard to the above.

## **8. Continuation of the Moratorium**

- 8.1. The creditor profile of the IL&FS Group is spread across different categories and verticals, i.e. secured/ unsecured, banks (public sector/ private sector), other financial institutions (NBFCs, mutual funds, insurance companies) and other sources of borrowings (pension funds, EPF, army welfare funds). The New Board has been made aware that individual creditors have access to cash trapped in escrow accounts and that might lead to preferential payments (including by way of unauthorised set offs) being made. Such individual action, needs to be curtailed to give the New Board a fair opportunity to come up with the Final Resolution for the IL&FS Group.

- (a) Given that the Final Resolution, at the threshold, needs to ensure orderly recovery for the creditors, a piece-meal approach may not work as it will not recover due value for the creditors. The IL&FS Group is receiving legal notices and threats of legal action from substantial number of creditors. As on October 26, 2018, the New Board understands that over 130 creditors have issued notices to IL&FS Group entities. The New Board considers that given the complexities surrounding the IL&FS Group, individual creditor action is unlikely to realise any value for the creditors and would also make an orderly Final Resolution impossible to achieve. Therefore, larger public interest requires that the rights of individual creditors are suspended pending Final Resolution.

- 8.2. Therefore, the New Board believes that it requires a “calm period” and continuation of the Moratorium to achieve the Final Resolution is critical.

## **9. Governmental Support**

- 9.1. Further, additional reliefs are required with regard to extension of immunities/ protections required by new directors or management appointed pursuant to orders of the NCLT in order for them to not be unduly exposed to risks by virtue of these appointments.
- 9.2. The New Board acknowledges the support that it has received from the Government. It believes that for it to complete the Final Resolution in a timely manner, further Governmental intervention may be required, including with regard to managing stakeholder expectations (such as various classes of creditors, Governmental agencies, shareholders, employees, regulators and contractual counter parties).

## **10. Key Actions Taken by the New Board**

The New Board has been actively taking steps for enabling a Final Resolution. In this regard, the New Board has had four (4) board meetings (on October 4<sup>th</sup>, October 12<sup>th</sup>, October 18<sup>th</sup> and October 27<sup>th</sup>) in under a month.

Set out below are certain key steps taken by the New Board thus far:

### **10.1. *Taking control of management***

- (a) Mr. Uday Kotak has been appointed as the Chairman of the IL&FS. Mr. Vineet Nayyar has been appointed as Vice Chairman & Managing Director to oversee day to day management and take charge of the operational matters.
- (b) The Audit Committee, Nomination & Remuneration Committee, the Stakeholder Relationship Committee and the Corporate Social Responsibility Committee have been re-constituted. The key committees, being the Audit Committee and the Nomination & Remuneration Committee have had their first meetings on October 11<sup>th</sup> and the Audit Committee again met on October 26<sup>th</sup>.
- (c) Members of the New Board have been appointed on the boards of the following key companies of the IL&FS Group:
  - IL&FS Financial Services Limited,
  - IL&FS Transportation Networks Limited,
  - IL&FS Environmental Infrastructure & Services Limited,
  - IL&FS Energy Development Company Limited,
  - IL&FS Engineering & Construction Company Limited,
  - IL&FS Education & Technology Services Limited,
  - IL&FS Technologies Limited, and
  - Tamil Nadu Water Investment Company Limited
- (d) A “Core Operating Committee” has been constituted, comprising of Mr. Vineet Nayyar, Mr. Kaushik Modak (new CEO of IFIN), Mr. Dilip Bhatia (Chief Strategy Officer of ITNL), Mr. Ashwani Kumar (CEO of IEDCL), and Mr. TV Raghunath (special advisor to the Chairman) for handling day-to-day operations of the IL&FS as well as matters concerning the Final Resolution.
- (e) The resignations of certain former key managerial personnel, namely Mr. Arun Saha, Mr. Hari Sankaran, Mr. Ramesh Bawa and Mr. Vibhav Kapoor have been accepted while placing all their settlement payments on hold.
- (f) Withdrawal of post-retirement benefits granted to previous directors and senior management.

### **10.2. *Taking control of cash flow***

- (a) The New Board has put in place a mechanism for control over any material payments such that payments of rupees one crore and above requires approval of the Managing Director.

- (b) The New Board has issued standstill instructions on any further material contractual commitments being executed.
- (c) Alvarez & Marsal have been appointed to assist with managing day-to-day cash flow movement, in a centrally controlled and monitored manner.
- (d) The New Board is undertaking review of preferential actions by creditors (such as appropriation of balances towards dues, set offs, etc).

### **10.3. *Implementing the following austerity measures***

- (a) Reduction of sitting fees of Boards and its committees.
- (b) 10% salary rationalization for all employees with a CTC of INR 5 million or above.
- (c) 69 superannuated employees retained as consultants are to be, in principle, discontinued (subject to certain exceptions).
- (d) The maximum limit for company owned and maintained cars reduced from INR 5 million to INR 2.5 million.
- (e) Distribution of Diwali gifts on company's account to be discontinued.

### **10.4. *Audit and review of certain key matters initiated***

- (a) The New Board has sought full stand-alone and consolidated audit to be undertaken by the statutory auditors for six months ended September 30, 2018 for IL&FS and certain group companies.
- (b) Review of documentation concerning the arrangements of the IL&FS Employees Welfare Trust and its inter-connection with IL&FS and its group companies has been initiated.
- (c) The Audit Committee is considering initiation of a special audit of past management actions that are likely to have adverse commercial and governance implications.

### **10.5. *Working towards the Resolution***

- (a) Arpwood Capital Private Limited and JM Financial Services Limited have been appointed as joint financial & transaction advisors (“FTAs”) through a competitive evaluation process.
- (b) Alvarez & Marsal have been retained as resolution consultants to evolve resolution plans and advise on the resolution process.
- (c) The New Board is undertaking a detailed review of the current business and financial position of the IL&FS group, including reviewing the status of various ongoing/ pending divestment transactions. In this regard, the New Board has been engaging with the FTAs in relation to preliminary options available for the Final Resolution. The FTAs have conducted a preliminary

assessment of assets/ businesses for monetisation and the required timeframe, based on key criteria such as current transaction environment in the sector, financial performance, interest shown by investors in the past and current reverse enquiries.

- (d) The New Board has noted that there appear to be valuable assets in the IL&FS Group which have generated sufficient interest in the market. The New Board was also appraised of the monetisation efforts which were initiated by the previous management. While trying to take advantage of the levels of interest shown in purchase of various assets through the earlier efforts, the New Board is faced with the challenge of adapting those (in the interests of speed of resolution) onto a process(es) that is formal and transparent.
- (e) Further, regular discussions and meetings are being held with the relevant authorities in respect of claims filed with concession authorities for substantial amounts pertaining to road projects, including those awarded by NHAI and Ministry of Road Transport, in order to achieve a speedy resolution of these claims. In this regard, requests have been made to the concerned authorities to provide a one-time fund infusion facility to enable timely completion of these facilities or to take over these projects.

## **11. Stakeholder Engagement and Market Approaches**

- 11.1.** The rights issue of IL&FS, as approved by the previous board of IL&FS, was open from October 5, 2018 till October 19, 2018 (“**Rights Issue**”). IL&FS received, in aggregate, a subscription of Rs. 5,47,500/- only in the Rights Issue from certain retail shareholders and has not received any subscription from its institutional shareholders. The New Board, in its meeting dated October 27, 2018, has approved return of subscription money received from the retail shareholders. The New Board proposes to engage with the key shareholders of IL&FS in due course.
- 11.2.** Pursuant to the requirement of the NCLAT order granting the Moratorium, notice has been issued by the NCLAT to appear before it has been issued to the top five creditors of the IL&FS Group, being the State Bank of India, Bank of Baroda, Power Finance Corporation, Bank of India and IndusInd Bank. The Board expects to continue its efforts for continuation of the Moratorium as per the directions of the NCLAT.
- 11.3.** The New Board and the FTAs are in receipt of a number of enquiries expressing interest from various Indian and global investors as well as strategic players with respect to various assets of the IL&FS Group. The New Board is weighing on these, including consulting with the experts/ advisors appointed, to follow due process for the divestments and achieve value maximisation.

#### **IV. Way Forward**

##### **1. Objectives for the Final Resolution**

- 1.1.** It is the objective of the New Board to achieve, by one or more plan(s), the resolution of the IL&FS group, through measures which may include arrangements, compromises, divestments, restructurings of debt or equity or fresh capitalisation, as approved by the NCLT or any other competent authority.
- 1.2.** To achieve 1.1 above, the New Board will take into account, *inter alia*, the following key considerations, as appropriate:
- (a) Good governance of IL&FS in order to preserve value (to the extent possible)
  - (b) Conduct of the resolution process, in one or more steps, through a transparent process(es), as may be deemed appropriate for respective categories of assets and ownership structures, to ensure fair resolution in a timely manner
  - (c) Wider public interest
  - (d) Financial stability
  - (e) Interests of different stakeholders and sacrifices, as may be required
  - (f) Compliance with the legal framework
  - (g) Commercial feasibility

##### **2. Broad Options for the Final Resolution**

- 2.1.** 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. 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.
- 2.2.** A deleveraging exercise usually involves (whether individually or in combination) the following:
- (a) significant capital infusion (either from existing or new investors);
  - (b) asset monetisation to retire debt;
  - (c) resolution/ compromise with the creditors

- 2.3. The above methods will need to be weighed against the gargantuan and enormous complexity of the IL&FS Group and challenges arising from a) the multi-layered structures especially for external borrowings; b) multiple assets classes; c) different stakeholder categories having differing levels and types of exposure across the group, etc. Therefore, the New Board inevitably has to evaluate a universe of options. These would be evaluated by the New Board in finalising the Resolution Plan(s), having regard to the objective and considerations set out in Paragraph 1 of this Section IV as well as general economic and market conditions.
- 2.4. The New Board is cognizant that none of the options it is considering or may consider in the future will be mutually exclusive and the Final Resolution may involve a combination of various options. The New Board may also take certain immediate actions that will create liquidity for the IL&FS Group in the interim, including sale of assets in the ordinary course and sale of non-core assets from time to time.
- 2.5. At this time the Board expects that the contours of the Resolution Plan(s) would likely have choices to be made amongst following three categories of options, which need to be further evaluated and tested in the market by the advisors.
- (a) ***“Group” Resolution at IL&FS level (“Group Level Resolution”)***
- (i) This would involve significant capital infusion at IL&FS level from credible and financially strong investor(s), with a condition that such investor(s) along with the New Board engage with the creditors such that it will lead to a Final Resolution on a group-wide basis.
  - (ii) A Group Level Resolution may enable continuity of many of the operating entities, and for many employees, and may potentially reduce the complexity of engagements with multiple stakeholders. If successfully implemented by a credible investor(s), this could address the circumstances which prompted Government action in a timely manner.
  - (iii) The interest of investor(s) for a Group Level Resolution needs to be tested, in general, and if so, whether it will lead to value maximisation. The cost of capital and risk for such a solution may also impact value maximisation.
  - (iv) Stakeholder engagement for a Group Level Resolution may be complex and the investor(s) will need to demonstrate sufficient capability, commitment and wherewithal to execute the same.
- (b) ***Business Vertical/ Platform level Resolution (“Vertical Level Resolution”)***
- (i) This could involve exploring solutions involving all assets/ companies/ SPVs comprising a specific business vertical, on a combined basis (e.g., roads vertical).

- (ii) 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. For example, a number of private equity and strategic players have significant focussed interests in roads, renewables, real estate and thermal power.
- (iii) The stakeholder engagement for Vertical Level Resolutions may be less complex than Group Level Resolution, given the potential inter-linkages within the same vertical. Similar considerations as Group Level Resolution apply to Vertical Level Resolution as to value maximization and business and employee continuity for that vertical.

(c) ***Asset Level Resolution (“Asset Level Resolution”)***

- (i) This would involve asset-by-asset solution explored through various methods included in Paragraph 2.2 of this Section IV.
- (ii) This option compares well on asset level value maximization and stakeholder engagement as majority of the loan liabilities exist at operating asset level (as evidenced by the data included in Paragraph 5.2 of Section III of this Report which provides an overview of nature of creditors).
- (iii) However, this option may require liquidation of some businesses or assets that find no meaningful offers from buyer(s) or are significantly unviable.

**2.6.** The New Board, therefore, recognises 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.

**2.7.** Therefore, the various options are proposed to be critically evaluated having regard to, *inter alia*, the following factors:

- (a) Market Interest
- (b) Maximisation of value
- (c) Speed of execution
- (d) Stakeholder engagement
- (e) Comprehensiveness of the resolution
- (f) Transaction certainty



### **3. Key Milestones/ Indicative Steps on Way Forward**

The New Board proposes to pursue the following next steps for achieving the Final Resolution:

- (a) Fact finding and analysis of the alternatives available for the Final Resolution
- (b) Formulation of relevant Resolution Plan(s)
- (c) Approval by the IL&FS board (including finalisation of documentation with regard to the particular Resolution Plan)
- (d) Obtaining any other regulatory approvals or exemptions or dispensations as may be required (e.g. CCI, SEBI, RBI etc.) for implementation of the Resolution Plan(s)
- (e) Final sanction of the resolution plan(s) by NCLT
- (f) Closing of transactions contemplated under the Resolution Plan(s).

### **4. Best Efforts Indicative Timelines**

- 4.1.** The New Board is hereby presenting this Report to the MCA for submission with the NCLT on the due date, i.e. October 31, 2018.
- 4.2.** 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.

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Infrastructure Leasing & Financial Services Limited (the "Company" / "IL&FS")

Statement of list of components (i.e. Subsidiaries, Joint Controlled Entities, Associates and Joint Controlled Operations, together referred to as "components") of IL&FS as at March 31, 2018

S.No.	Name of the Company
	<b>Direct Subsidiaries:</b>
1	Chattisgarh Highway Development Company Limited
2	Chhotagovindpur & Bagbera Drinking Water Supply Project Limited
3	IL&FS Airports Limited
4	IL&FS Education & Technology Services Limited
5	IL&FS Energy Development Company Limited
6	IL&FS Environmental Infrastructure & Services Limited
7	IL&FS Financial Services Limited
8	IL&FS Global Pte Limited
9	IL&FS Infrastructure Equity Fund
10	IL&FS Investment Managers Limited
11	IL&FS Investment Trust – I
12	IL&FS Maritime Infrastructure Company Limited
13	IL&FS Paradip Refinery Water Limited
14	IL&FS Portfolio Management Services Limited
15	IL&FS Securities Services Limited
16	IL&FS Transportation Networks Limited
17	IL&FS Township & Urban Assets Limited
18	IL&FS Technologies Limited
19	IL&FS Water Limited
20	ISSL Settlement & Transaction Services Limited
21	ISSL CPG BPO Private Limited
22	Jharkhand Accelerated Road Development Company Limited
23	Khambhat Port Limited
24	M P Toll Roads Limited
25	Tamil Nadu Water Investment Company Limited
26	IL&FS Applied Academy Development (refer note 2 below)
	<b>Indirect Subsidiaries:</b>
27	Alcantarilla Fotovoltaica S.L.U.
28	Amravati Chikhli Expressway Limited
29	Andhra Pradesh Urban Infrastructure Asset Management Limited
30	Antenea Seguridad y Medio Ambiente SAU
31	Capacity Swap Linkages Ltd
32	Area de Servicio Coiros S.L.U.
33	Area de Servicio Punta Umbria S.L.U.
34	Avash Logistic Park Private Limited
35	Badarpur Tollway Operations Management Limited
36	Baleshwar Kharagppur Expressway Limited
37	Barwa Adda Expressway Limited
38	Bhopal e-Governance Limited
39	Beasolarta SLU
40	Etesian Urja Limited
41	Charminar Robopark Limited
42	Chenani Nashri Tunnelway Limited
43	CIESEM – INTEVIA SAU
44	Conservacion Sde Infraestructuras De Mexico SA DE CV
45	Control 7, SAU
46	Cuddalore Solar Power Private Limited
47	Dakshin Dilli Swachh Initiative Limited
48	East Delhi Waste Processing Company Limited
49	East Hyderabad Expressway Limited





Infrastructure Leasing & Financial Services Limited (the "Company" / "IL&FS")

Statement of list of components (i.e. Subsidiaries, Joint Controlled Entities, Associates and Joint Controlled Operations, together referred to as "components") of IL&FS as at March 31, 2018

S.No.	Name of the Company
50	Elsamex Colombia SAS
51	Elsamex India Private Limited
52	Elsamex Internacional, SLU
53	Elsamex Maintenance Services Limited
54	Elsamex Portugal SA
55	Elsamex S A
56	Elsamex LLC
57	ESM Mantenimiento Integral SA DE CV
58	Fagne Songadh Expressway Limited
59	Futureage Infrastructure India Limited
60	Gujarat Integrated Maritime Complex Private Limited
61	GRICL Rail Bridge Development Company Limited
62	Grusamar Albania SHPK
63	Grusumar Engenharia & Consultoria Brasil LTDA
64	Grusumar Ingenieria y Consulting Colombia SAS
65	Grusamar India Limited
66	Grusumar Ingenieria y Consulting SLU (Grusamar)
67	Hazaribagh Ranchi Expressway Limited
68	IFIN Realty Trust
69	IIML Asset Advisors Limited
70	IIML Fund Managers (Singapore) Pte Limited
71	IIPL USA LLC
72	IIPL Laos Pte Ltd
73	IL&FS Asian Infrastructure Managers Limited
74	IL&FS AMC Trustee Limited
75	IL&FS Capital Advisors Limited
76	IL&FS Cluster Development Initiative Limited
77	IL&FS Broking Services Private Limited
78	IL&FS Global Financial Services (HK) Limited
79	IL&FS Global Financial Services (ME) Limited
80	IL&FS Global Financial Services (UK) Limited
81	IL&FS Global Financial Services Pte Limited
82	Vejas Power Projects Limited
83	IL&FS Africa Infrastructure Development Company
84	IL&FS IIDC Fund
85	IL&FS Infrastructure Equity Fund - I
86	IL&FS Infra Asset Management Limited
87	IL&FS Investment Advisors LLC
88	IL&FS Investment Trust – IV
89	IL&FS Maritime International FZE
90	ILFS Maritime Offshore Pte Limited
91	IL&FS Offshore Natural Resources Pte Limited
92	IL&FS ORIX Trust
93	IL&FS Prime Terminals FZC
94	IL&FS Rail Limited
95	IL&FS Skills Development Corporation Limited
96	IL&FS Solar Power Limited
97	IL&FS Tamil Nadu Power Company Limited
98	IL&FS Urban Infrastructure Managers Limited
99	IL&FS Wind Energy Limited
100	Ramgiri Renewable Energy Limited
101	Ranchi Muri Road Development Limited
102	IL&FS Wind Power Services Limited





Infrastructure Leasing & Financial Services Limited (the "Company" / "IL&FS")

Statement of list of components (i.e. Subsidiaries, Joint Controlled Entities, Associates and Joint Controlled Operations, together referred to as "components") of IL&FS as at March 31, 2018

S.No.	Name of the Company
103	IL&FS Technologies Philippines Inc.
104	IMICL Dighi Maritime Limited
105	India Tourist & Heritage Village Private Limited
106	Integrated Trans Log Development Company Limited
107	Inteval-Gestao Integral Rodoviaria SA
108	ITNL Africa Projects Limited
109	ITNL International DMCC
110	ITNL Infrastructure Developer LLC
111	ITNL International Pte Limited
112	ITNL Offshore Pte Limited
113	ITNL Offshore Two Pte Limited
114	ITNL Offshore Three Pte Limited
115	ITNL Road Infrastructure Development Company Limited
116	ITNL Road Investment Trust
117	Jharkhand Infrastructure Implementation Company Limited
118	Jharkhand Road Projects Implementation Company Limited
119	Jogihali Wind Energy Private Limited
120	Kanak Resources Management Limited
121	Karyavattom Sports Facilities Limited
122	Khandke Wind Energy Private Limited
123	Khed Sinnar Expressway Limited
124	Kiratpur Ner Chowk Expressway Limited
125	Lalpur Wind Energy Private Limited
126	Land Registration Systems, Inc.
127	LIVIA India Limited
128	Mahidad Wind Energy Private Limited
129	Mantenimiento y Conservacion de Vialidades SA DE CV
130	Maritime International Offshore Pte Limited
131	Moradabad Bareilly Expressway Limited
132	Mota Layja Gas Power Company Limited
133	MP Border Checkpost Development Company Limited
134	Nana Layja Power Company Limited
135	North Karnataka Expressway Limited
136	Park Line LLC
137	Elsamex Vietnam Joint Stock Company
138	Patiala Bio Power Company Limited
139	Porto Novo Maritime Limited
140	Pt Bangun Asia Persada
141	Pt Mantimin Coal Mining
142	Pune Sholapur Road Development Company Limited
143	Rapid Metro Rail Gurgaon Limited
144	Rapid Metro Rail Gurgaon South Limited
145	Ratedi Wind Power Private Limited
146	Rohtas Bio Energy Limited
147	Sabarmati Capital One Limited
148	Sabarmati Capital Two Limited
149	Saffron Investment Trust
150	Se7en Factor Corporation
151	Sealand Ports Private Limited
152	Senalizacion, Viales e Imagen SAU
153	Sharjah General Services Company LLC
154	Shendra Green Energy Limited
155	Sikar Bikaner Highway Limited





Infrastructure Leasing & Financial Services Limited (the "Company" / "IL&FS")

Statement of list of components (i.e. Subsidiaries, Joint Controlled Entities, Associates and Joint Controlled Operations, together referred to as "components") of IL&FS as at March 31, 2018

S.No.	Name of the Company
156	Sipla Wind Energy Limited
157	Skill Training Assessment Management Partners Limited
158	Sealand Warehousing Private Limited
159	Swayam Swachhta Initiative Limited
160	RDF Power Projects Limited
161	Tadas Wind Energy Private Limited
162	Tierra Enviro Limited
163	Unique Waste Processing Company Limited
164	Vansh Nimay Infraprojects Limited
165	Kaze Energy Limited
166	West Gujarat Expressway Limited
167	Wind Urja India Private Limited
168	Yala Construction Company Private Limited
	<b>Direct Jointly Controlled Entities:</b>
169	Bihar e-Governance Services & Technologies Limited
170	Gujarat International Finance Tec-city Company Limited
171	Haldia Integrated Development Agency Limited
172	IKG Associates
173	IL&FS Doc Project Development Fund
174	Jharkhand e-Governance Solutions & Services Limited
175	Karnataka Enterprise Solutions Limited
176	Odisha e-Governance Services Limited
177	Road Infrastructure Development Company of Rajasthan Limited
	<b>Indirect Jointly Controlled Entities:</b>
178	Assam Power Project Development Company Limited
179	Bengal Integrated Infrastructure Development Limited
180	Bengal Urban Infrastructure Development Limited
181	Bihar Power Infrastructure Company Private Limited
182	Chongqing Yuhe Expressway Company Limited
183	Cross Border Power Transmission Limited
184	Consorcio de Obras Civiles Conciviles SRL
185	Damodar Valley Tourism Development Private Limited
186	Future Retail Destination Limited
187	Geotecnia y Control De Qualitat SA
188	Gujarat Industrial Infrastructure Projects Limited
189	Gujarat Tourism Opportunity Limited
190	Hubballi Dharwad Water Supply Project Ltd
191	IL&FS Milestone Realty Advisors Private Limited
192	Indraprastha Energy & Waste Management Company Limited
193	Infrastructure Development Company of Nagaland Private Limited
194	Infrastructure Development Corporation of Assam Limited
195	Jharkhand Infrastructure Development Corporation Limited
196	Jorabat Shillong Expressway Limited
197	KSIIDC-IL&FS Project Development Company Limited
198	Kukuza Project Development Company
199	NAM Expressway Limited
200	Orissa Project Development Company Limited
201	ONGC Tripura Power Company Limited
202	PDCOR Limited
203	Chennai Industrial Water Utility Company Limited
204	Saurya Urja Company of Rajasthan Limited





Infrastructure Leasing & Financial Services Limited (the "Company" / "IL&FS")

Statement of list of components (i.e. Subsidiaries, Joint Controlled Entities, Associates and Joint Controlled Operations, together referred to as "components") of IL&FS as at March 31, 2018

S.No.	Name of the Company
205	South Coast Infrastructure Development Company of Andhra Pradesh Limited
206	Standard Chartered IL&FS Management (Singapore) Pte Limited
207	Syniverse Technologies (India) Private Limited
208	Thiruvananthapuram Road Development Company Limited
209	Uttarakhand Infrastructure Projects Company Limited
210	Vias y Construcciones, Viacon SRL
211	Warora Chandrapur Ballarpur Toll Road Limited
212	Free Trade Warehousing Private Limited
	<b><u>Indirect Jointly Controlled Operations:</u></b>
213	UTE Teruel II Elsamex Api
214	Ute Durango Bi (Vizcaya III)
215	UTE Atenea Consulnima
216	UTE Embalse de Flix
217	UTE Linares
218	UTE Rio Alhama
219	Cons. Jose Saldis
220	UTE Corelsa
221	UTE Dair-Intevia
222	UTE Conservación Cádiz Sur (Martín Casillas)
223	UTE Durango II
224	UTE Elsamex- Cauchill Jaen
225	UTE Elsamex- Ibersenal
226	UTE Orense III
227	UTE Coruña III
228	UTE Argenton Elsamex Rubau
229	UTE Elsamex - ITNL
230	UTE SG 2/2008
231	Grusamar – Progescan UTE Areas De Servicio
232	Grusamar Elsamex Atenea UTE Seguridad Vial Murcia
233	UTE Arucas
234	Intevia-Grusamar-Dair UTE Seguridad Vial Bizkaia
235	UTE Abedul Orihuela
236	UTE Abedul Ponferrada
237	UTE Abedul Villavidel
238	UTE Abedul Zamora
239	UTE Almanzora
240	UTE Ap-7 Ondara
241	UTE Arona
242	UTE Asistencia Molinar
243	UTE Atenea-Paymacotas
244	UTE Atenea-Prevecons
245	UTE Camino Santiago
246	UTE Bizcaya BI
247	UTE Cican Ciesm
248	UTE Conservacion Almeria
249	UTE Conservacion Asturias
250	UTE Conservacion Caceres
251	UTE Cordoba
252	UTE Elsamex-Lujan Alicante II
253	UTE Travesía De Hermigua
254	UTE Grusamar-Eyser
255	UTE Grusamar-Intecsa-Inarsa-Atenea



Infrastructure Leasing & Financial Services Limited (the "Company" / "IL&FS")

Statement of list of components (i.e. Subsidiaries, Joint Controlled Entities, Associates and Joint Controlled Operations, together referred to as "components") of IL&FS as at March 31, 2018

S.No.	Name of the Company
256	UTE Grusumar – Inserco Rambla Retamar
257	UTE Mantenimient De Cuenca
258	UTE Parking Estacion Intermodal
259	UTE SG-2/2011
260	UTE Sur Sevilla
261	UTE Tren Mallorca
262	Consortio Elsamex-Grusamar Ecuador
263	JV Elsamex - Ascon
264	UTE Elsamex - Pulido
265	UTE AP-7 Ondara 2
266	UTE Ciesm - Intevia-Conurma-Esmovilidad
267	UTE Intevia - Getinsa - Ciesa
268	UTE Etiopia 35
269	UTE Sistema tarifario
270	UTE Elsamex-Rebogar
271	UTE Servicios Energeticos de Antequera
272	UTE Burgos Sur
273	UTE Alumbrado Tegueste
274	UTE Avda. de Daganzo
275	UTE Servicios Energeticos las Palmas
276	UTE Jaen Sur
277	UTE Ciesm - Intevia-Dair-Itsak
278	UTE Elsgroup
279	UTE Santiago AP -9
280	UTE Inspeccion Autobuses Lineas Urbanas Murcia
281	UTE Sevilla Este
282	UTE Malaga Norte
283	UTE Arbrat Badalona
284	UTE Acceso Norte
285	UTE Piscinas Zamora
286	UTE Elsamex - Lujan Alicante II
287	UTE Seguridad Vial Murcia II
288	UTE Polideportivos Latina
289	UTE Instalaciones Deportivas
290	UTE STM Terres del LEbre
291	UTE Red Viaria Sevilla
292	UTE Piscina Cubierta
293	UTE Servicio Mantenimiento Las Palmas
294	UTE Auditorias Fis Granada
295	Con Interaniño
296	Cons.Carreteras del Sur
297	UTE Etiopia Bure
298	UTE Etiopia Nekemte
299	UTE Bialdeko
300	UTE LCA - Grusamar
301	UTE EIS Batalla
302	UTE Piscinas Zomara II
303	UTE ES Mercadal
304	UTE Instalaciones del Cloro
305	UTE Parque Tentengorra
306	UTE Mar Menor
307	UTE Osuna
308	UTE Montes Occidentales de Granada





Infrastructure Leasing & Financial Services Limited (the "Company" / "IL&FS")

Statement of list of components (i.e. Subsidiaries, Joint Controlled Entities, Associates and Joint Controlled Operations, together referred to as "components") of IL&FS as at March 31, 2018

S.No.	Name of the Company
309	UTE Recloracion
310	UTE CAP 1
311	Elsan Pacsa-Elsamex UTE Navalvillar De Pela II
312	Epsilon
313	UTE Abedul Cáceres
314	UTE Ecija
315	UTE Grusamar Valmia
316	UTE Ciesm Intevia Gike
317	UTE Aena Almeria
318	UTE Albartera
319	UTE Abastecimiento Metilla
320	UTE Bidegi
321	UTE Asistencia Camposol
322	UTE Huetor Vega
323	Grusamar Elsamex Atenea
324	UTE Control 7 Geoplaning
325	UTE Prointec Intevia Gestinsa
	<b>Direct Associates:</b>
326	Dighi Port Limited
327	Dighi Project Development Company Limited
328	Mangalore SEZ Limited
329	IL&FS Engineering and Construction Company Limited
	<b>Indirect Associates:</b>
330	Canopy Housing & Infrastructure Limited
331	CGI-8, S.A
332	Elsamex Road Technology Company Limited
333	Elsamex Road & Infrastructure WLL
334	ITNL Toll Management Services Limited
335	New Tirupur Area Development Corporation Limited
336	Noida Toll Bridge Company Limited
337	Paro Developers Private Limited
338	Ramky Elsamex Hyderabad Ring Road Limited
339	Srinagar Sonamarg Tunnelway Limited
340	Sociedad Concesionaria Autovia A-4 Madrid
341	Urban Mass Transit Company Limited
342	Urjankur Shree Tatyasaheb Kore Warana Power Company Limited
343	Vizag Agriport Private Limited
344	Hill County Properties Limited





Infrastructure Leasing & Financial Services Limited (the "Company" / "IL&FS")

Statement of list of components (i.e. Subsidiaries, Joint Controlled Entities, Associates and Joint Controlled Operations, together referred to as "components") of IL&FS as at March 31, 2018

S.No.	Name of the Company
	<b>Unincorporated Subsidiary - Indirect</b>
345	ITNL KMB JV (disclosed in Note 55 as PJSC Kyivmetrobud (KMB))
346	ITNL IECCL JV (disclosed in Note 55 as MP Road Development Corporation Limited)

**Notes:**

Note 1 - Step-down Components of the associates and joint ventures of IL&FS have not been considered above in accordance with accounting principles generally accepted in India, including the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014

Note 2 - IL&FS Applied Academy Development (IAAD) is a non-commercial entity where the objective is not to obtain economic benefits from their activities, and hence has not been considered for the purpose of preparation of Consolidated Financial Statement of IL&FS for the year ended March 31, 2018 ("CFS") in accordance with provisions of Accounting Standard (AS) 21 - Consolidated Financial Statements.

Note 3 - The above list does not include IL&FS Infrastructure Incubation Trust and IL&FS Employee Welfare Trust (Trusts) which have not been consolidated in the CFS in accordance with provisions of Accounting Standard (AS) 21 - Consolidated Financial Statements.

For Infrastructure Leasing & Financial Services Limited



M.M Wagle  
Group Chief Financial Officer  
Date : October 29, 2018

