

## IL&FS Lenders Oppose Proceeds Distribution Rejig

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**New Delhi:** Lenders to entities of the debt-laden Infrastructure Leasing and Financial Services (IL&FS) group on Thursday opposed a board proposal that seeks to revise the formula for distribution of proceeds from the sale of group assets placed before an appellate tribunal.

Lenders to the larger holding companies, such as IL&FS and IL&FS Financial Services that are in some cases unsecured creditors to other group entities, stand to be-

nefit if therevised resolution framework is approved.

The new framework proposes to pay all creditors of group entities liquidation value of their security before distributing the remaining proceeds of the sale of the entity to creditors on a pro-rata basis, which would lead to better recoveries for unsecured financial creditors and operational creditors as compared to the previous framework.

The IL&FS Group has total debt obligations of Rs 94,215 crore.

The counsel for one of the lenders, Abhishek Manu Singhvi, said that if IL&FS wants to follow the revised framework, it should seek

to "amend the Insolvency and Bankruptcy Code (IBC)." He added that the proposal didn't seek the approval of the committee of creditors and allowed related party creditors to be treated as part of the committee of creditors, which is not permitted under the IBC.

The NCLAT will next hear the matter on January 30.

Lenders have sought the resolution process to stick to IBC norms, which disallow related-party creditors from being part of the committee of creditors.

A two-member bench of the National Company Law Appellate Tribunal (NCLAT), led by Justice

SJ Mukhopadhaya, said it would provide the formula for distribution which would then be tested by the Supreme Court.

The previous framework, which provided for distribution under the IBC waterfall mechanism, required that secured financial creditors be paid fully before other creditors.

The counsel for lenders of group entity Hazaribag Ranchi Expressway Ltd, Kapil Sibal, argued that the proposal would lead to reduced recoveries to lenders even though the company had sufficient funds to meet all liabilities of senior secured creditors.