

# ONGC likely to buy out IL&FS stake in MSEZ

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Oil and Natural Gas Corporation (ONGC) is looking to buy out Infrastructure Leasing & Financial Services' (IL&FS') stake in Mangalore Special Economic Zone (MSEZ) after protracted negotiations. IL&FS holds 50 per cent equity in the company.

The deal is likely to be concluded at 'fair value' after ONGC's attempt to buy out the shadow lender's stake in the joint venture (JV) at deep discount failed, said an official.

Under the shareholder agreement, two independent valuers would arrive at the 'fair value' through a discounted cash-flow method that uses future earnings estimates. Having started operations in April 2015, MSEZ reported a net loss of ₹32 crore in 2020-21, against ₹31.6 crore in the preceding year.

ONGC currently holds 26 per cent equity in the company, while Karnataka Industrial Area Development Corporation holds 23 per cent. ONGC Mangalore Petrochemicals

(OMPL) and Kanara Chamber of Commerce & Industry together hold 1 per cent equity in MSEZ.

ONGC Chairman and Managing Director Subhash Kumar was unavailable for comment on the buyout of IL&FS stake.



## SPECIAL INTEREST

- ONGC holds 26% equity in Mangalore SEZ
- Deal is likely to be concluded at "fair value" after ONGC's attempt to buy IL&FS stake at a deep discount failed
- Two independent valuers would arrive at the "fair value" through a discounted cash flow method
- Mangalore SEZ reported a net loss of ₹32 crore in FY21

entities were able to meet only operational payment obligations and payment to senior secured financial creditors.

Government-owned ONGC had termed the central government's suspension of the 15-member IL&FS and appointment of the current board by the National Company Law Tribunal as an 'event of default'. Retired Justice D K Jain, appointed by a new IL&FS board, to supervise the operation of the resolution process undertaken by the beleaguered group, had in December 2019 disallowed the ONGC contention of buying the stake at a deep discount.

IL&FS had last year invited bids for its other JV with ONGC. GAIL (India), the natural gas transportation and marketing company, had won the bid to acquire 26 per cent stake in ONGC Tripura Power Company (OTPC) at an enterprise value of ₹1,500 crore. The GAIL bid recently got approval from the Competition Commission of India.

ONGC holds a 50 per cent stake in OTPC that operates a fully operational natural gas-based 726.6-megawatt power plant located at Palatana in Tripura. It supplies power to Northeast India, besides Bangladesh.

ONGC also has a petrochemical plant inside the Mangalore SEZ. Its subsidiary Mangalore Refinery and Petrochemicals (MRPL) on January 1 bought ONGC's complete 49 per cent stake in OMPL. On June 10, the MRPL board approved the scheme of amalgamation of OMPL, subject to receipt of requisite approvals from the government and regulators.

## ONGC likely...

In March 2019, ONGC had invoked an 'event of default' clause and sought to buy IL&FS stake at a deep discount. IL&FS contested the claim on grounds that MSEZ was its 'green' bucket company which had no payment default or overdue. Based on the recommendations of a resolution professional, IL&FS Group companies were divided into green, amber, and red categories. The 'amber' categorised