

OFFERS ₹370 CRORE to take over ₹4,300 cr of loans from IL&FS co at a 91% haircut UV ARC Pips Arcil to Bag IFIN's Bad Loans

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Mumbai: UV Asset Reconstruction Co is set to take over ₹4,300 crore of loans from the bankrupt Infrastructure Leasing & Financial Services' (IL&FS) non-banking financial company IL&FS Financial Services (IFIN), trumping an initial offer from rival Arcil earlier this month.

The resolution is an important step for the Uday Kotak-led board that took over after the spectacular collapse of the infrastructure financier in 2018 to resolve ₹99,000 crore of stressed debt.

UV is offering ₹370 crore in an all-cash transaction to take over ₹4,300 crore of loans at a 91% haircut from IFIN, beating Arcil's ₹275 crore bid submitted in August, three people directly aware of the deal said.

"Arcil's bid was considered too low and so the board decided to seek a competitive bid that was much higher and closer to what the board thought was a fair value," said one of the persons cited above.

The portfolio consists of loans to builders and some infrastructure loans given by IFIN. When the parent company collapsed, the total assets under management (AUM) with IFIN were about ₹18,000 crore. Those included loans to group companies and investments.

Some of these loans have been

recovered by IL&FS and some loans written off. ET could not independently verify the amounts.

To be sure, because Arcil was the initial bidder, it still has the opportunity to match or trump UV ARC's bid until the first week of November. But it is unlikely to do so, said a second person familiar with the bidding process.

"UV's bid is 35% higher than Arcil which is a steep premium. Arcil does not think it is worth the price since these are high-risk loans; so UV is free to walk away with the deal," said the second person.

Replying to an email seeking comments, an IL&FS spokesperson confirmed that a bid challenging the initial Arcil interest had been received under the so-called Swiss challenge method.

"As per the new RBI guidelines, the process involving engagement with the initial bidder is now underway and the final H1 bidder would be announced once this process is completed," the spokesperson said without specifying a timeline.

In July, IL&FS had said it expects to address ₹58,000 crore or 95% of its estimated debt recovery target by March 2022.

The deal is an important milestone for the Uday Kotak-led IL&FS board tasked with resolution of ₹99K cr debt