

IL&FS to distribute ₹20,000-cr proceeds to creditors by March

SUBRATA PANDA

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The board of debt-ridden Infrastructure Leasing & Financial Services (IL&FS) has approved a proposal enabling interim distribution of proceeds to the extent of ₹20,000 crore by March-end (2022) from the resolution of entities of the group.

An affidavit has been filed with the National Company Law Appellate Tribunal (NCLAT) by the government to permit and approve the interim distribution mechanism. After this, the proceeds can be transferred to the creditors.

“On approval, this will allow interim distribution of over ₹20,000 crore in cash and infrastructure investment trust (InvIT) units — without waiting for final resolution,” an IL&FS spokesperson said.

“Subject to the relevant group entities being transferred to the InvIT by 31.03.2021 and other ongoing resolution processes being completed in a timely manner, the tentative amount intended to be distributed by way of interim distribution as

on 31.03.2022 is approximately ₹16,200 crore (₹10,950 crore of cash and ₹5,250 crore of InvIT units),” the affidavit stated.

The decision of interim distribution of proceeds was taken because the group is expected to have a considerable amount of distributable assets, both in the form of cash and infrastructure investment trusts (InvITs) units, by March 2022.

Also, despite a significant amount of debt being addressed, debt of the majority of the creditors has not been

settled since the group went bust in 2018. The exception is category II entities, where the financial bid amount offered by the successful bidder was less than the liabilities of the entities.

Further, if the appellate tribunal accepts the interim distribution mechanism, it will ensure that creditors, including public fund creditors, will

get proceeds that they have been waiting for since the group went bust in 2018. A significant amount of external fund-based debt was availed to the group from entities such as pension funds, employee welfare funds, army group insurance funds, provident funds, and many other such funds clubbed under the public fund creditors.

As of December 2021, the total amount received by creditors is ₹7,000 crore. Green entities have been paying their creditors through

regular debt servicing. Also, some creditors have recovered certain amounts from Red and Amber entities through forceful auto-debits.

In the affidavit to the NCLAT, the government — on behalf of the board of IL&FS — has said that by March-end, around 249 group entities will see resolution. This is by way of sale, liquidation, or transfer

to InvIT in exchange for InvIT units. Approximately, ₹21,300 crore of assets (cash and InvIT units) will be available with various IL&FS group entities. As of January 7, around ₹16,742 crore of cash was available with various group entities.

Further, the group has informed the appellate tribunal that as of January 31, 191 group entities have seen resolution. The board had earlier stated that it plans to resolve around ₹55,000 crore worth of debt of the group by end March 2022. This is more than 90 per cent of the overall estimated resolution value of ₹61,000 crore.

“Given the complexities involved in resolving the remaining IL&FS group entities, having an estimated resolution value of ₹6,000 crore, it is expected that the process will take significant time,” the affidavit stated.

The board of IL&FS, until recently, had resolved ₹52,000 crore worth of debt of the group. Further, it had maintained its projection of resolving approximately ₹61,000 crore worth of debt of the overall group. IL&FS went bust in 2018 with a debt of close to ₹1 trillion.

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