

BRIEFING ON IL&FS

April 3, 2019

Appointment of New Board



- Gol through MCA moved S/241 Application before NCLT, Mumbai against previous IL&FS Board on October 1, 2018
- NCLT Order (1 Oct 2018) – affairs of IL&FS were being conducted in a manner 'prejudicial to public interest'. Previous Board suspended. **New Board took charge on October 4, 2018**
- The New Board (appointed pursuant to NCLT orders dated 1 Oct, 3 Oct and 21 Dec 2018)

Mr. Uday Kotak	Chairman
Mr. Vineet Nayyar**	Executive Vice Chairman
Mr. CS Rajan*	Managing Director
Mr. Bijay Kumar	Deputy Managing Director
Mr. GC Chaturvedi	Non-Executive Director
Mr. Nand Kishore	Non-Executive Director
Dr. Malini Shankar	Non-Executive Director
Mr. N. Srinivasan	Non-Executive Director

* Appointed as MD with effect from 3 April, 2019

** Redesignated with effect from 3 April, 2019

IL&FS: An enormous financial challenge

- **Large outstanding debt** FB INR 94,216 Cr.¹ Total FB + NFB INR 99,354 Cr² 
 - INR 48,470 Cr FB in 4 holding companies (ILFS, IFIN, IEDCL, ITNL)
 - Creditors, both secured and unsecured present across levels 
- **High gearing** which limits financial flexibility
 - Consolidated debt : equity ratio of ~10 : 1 as on 31 Mar 2018
 - Project cost over-runs funded through Group debt, on the back on uncertain claim realization
- **Huge asset-liability mismatch**, affecting servicing capability. Short term liabilities raised to fund long term infra assets
 - Investments (equity & debt) in SPVs made by borrowings at the HoldCo level
 - Back ended cash-flows further subjected to lender controls (escrow) limiting upstreaming to HoldCos
 - Model predicated on **continuous need for refinancing**
- **Potential poor recovery of loans** – made to internal and external parties
 - Large portion of external lending to relatively weak clients
- **Absence of a central control function**

IL&FS Group: Total outstanding (FB & NFB)

Estimated Fund Based o/s as on 8 Oct, 2018

Estimated Non-Fund Based o/s as on 30 Sep, 2018

	INR Cr
Fund Based O/s Principal (Aggregated*)	94,216
Secured	73,359
Unsecured	20,857
Non-Fund Based O/s	5,139
Bank Guarantees (BG)	4,853
Letters of Credit (LC)	286
Total Outstanding	99,354

*Includes FB Principal O/s aggregating INR 4,570 Cr.: (i) GIFT INR 1,233 Cr. (IL&FS Group has 50% stake); (ii) ONGC Tripura Power INR 3,337 Cr. (IL&FS Group has 26% stake)

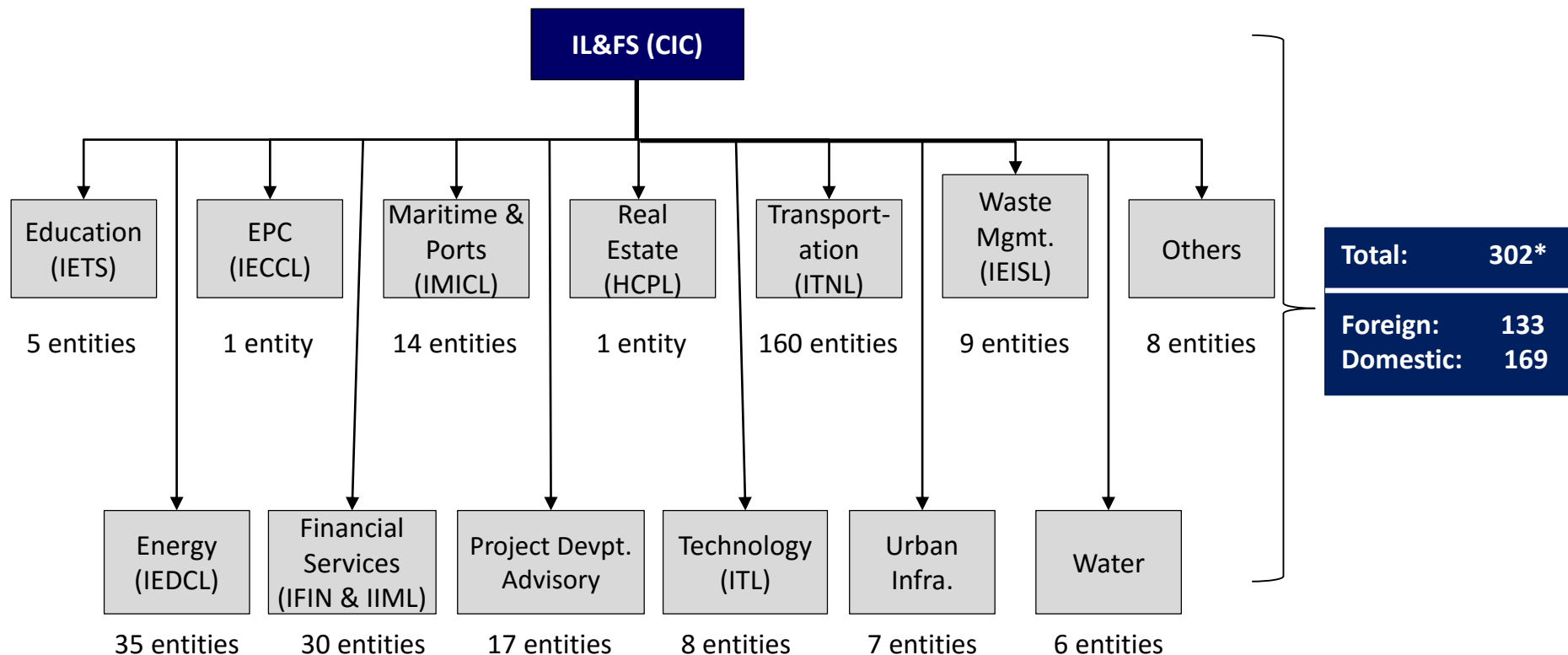
Creditors present across levels

Creditors of the IL&FS Group at the different layers of entities of the IL&FS Group and by type

Type	Entity Level in IL&FS Group	Category of Creditor (Fund Based O/s) (as of October 8, 2018) (in INR Cr)										
		PSU Banks	NCDs	Other Banks	Fin. Institn.	Foreign Banks	CP	NBFCs	Corps.	State Govt.	Others	Total
Secured		34,326	19,247	6,025	7,779	3,923	-	1,081	53	-	925	73,359
	At IL&FS	1,455	9,519	875	605	100	-	-	-	-	-	12,553
	At other key holding companies	8,771	2,391	2,909	760	1,668	-	242	13	-	872	17,626
	Operating Level	24,101	7,337	2,241	6,414	2,155	-	839	40	-	53	43,180
Unsecured		1,056	6,520	3,411	1,359	2,108	3,028	626	1,050	602	1,097	20,857
	At IL&FS	-	7	2,000	814	260	1,932	-	487	-	-	5,499
	At other key holding companies	649	3,566	321	-	243	298	65	-	-	459	5,675
	Operating Level	407	2,948	1,090	545	1,606	798	561	563	602	639	9,682
Total		35,382	25,767	9,436	9,138	6,031	3,028	1,708	1,103	602	2,022	94,216

Amongst the secured creditors, the nature and value of security available may vary from creditor to creditor

High complexity with multiple business verticals



* Post adjusting for closure of 45 entities (42 foreign and 3 domestic)

Needing time to comprehend, develop and implement resolution plans



Compounded by a complex holding structure

Nature of Entity	Level from ILFS	# of Entities
	L0 = IL&FS	
	L1 = One Level Down	
	L2 = 2 Levels Down	
Parent Holding Co.	L0	1
Intermediate Holding Co.	L1	9
	L2	3
	L3	2
Operating Level Co.	L1	31
	L2	120
	L3	34
	L4	102
Total		302

- **Multiple business verticals**
- **Multiple layers** - up to 4 layers
- **Multiple structures** - WOS, Subs with counterparties (pvt and govt), Associates, JVs
- **Multiple geographies of operations** – Asia, Europe & North America, Africa
- **Varied interests of different stakeholders** - JV partners (Orix, PSUs, State Govts.), Public shareholders (IECCL, IIML, ITNL), Other minority partners

Strategic & Operational Actions

Strategic actions

- **Appointing Advisors** - Legal, Transaction & Resolution Advisors
- Securing a **moratorium order** from third party actions to create **'calm period'**
 - to enable development of **orderly resolution plans**
 - to **protect creditor interest** across entities and creditor classes
 - to prioritize use of cash-flows for **maintaining 'going-concern'** status
- Setting up **'Operating Committee'** of senior executives under VC&MD for managing daily operations, co-ordinating with various agencies, for organisational stability
- Developing a **resolution framework** for managing **unprecedented group insolvency** using an **umbrella resolution approach**, built on principles analogous to IBC, to protect stakeholder interests
 - Resolution plan for international entities
 - Assessment of **resolution options**. Kick starting and monitoring the **Asset Monetisation** process 
 - Asset Monetisation process subject to NCLT approval and supervision of Justice (Retd.) DK Jain
- Active recovery actions on external lending portfolio of **IL&FS Financial Services (IFIN)** 
- Working with central and state government authorities to **resolve outstanding claims**

Asset Monetisation: Transactions in progress

Details	Securities Business (ISSL + ISTSL)	Renewable Energy	Domestic Roads Vertical (ITNL)	Alternate Investment Fund Mgmt. (IIML)	Education (IETS)	Thermal (ITPCL)
Shortlisting of Eligible EOIs	Completed (28 Nov)	Completed (14 Dec)	Completed (15 Jan)	Completed (11 Jan)	Completed (18 Jan)	Completed (26 Feb)
Planned binding bids ¹	TBD	Completed (18 Mar)	May	Apr	Apr	May
# of Entities (part of the launched Asset Sales)	2	11	21	10	4	7
FB Debt of assets launched (Ext. + Grp.) (INR Cr) ²	~220	~4,300	~26,000	-	~1,050	~7,800

Other launched processes (all international) – IPTF Fujairah, Parkline Dubai, IIPL USA

Further processes under discussion - OTPC, Paradip Refinery Water, ILFS Tech, LARES Philippines, ILFS Env't., Mangalore SEZ, Chongqing Yuhe Expressway, GIFTCL, Tamil Nadu Water & New Tirupur, CPG BPO

Resolution process and asset monetisation is subject to approval of NCLAT/NCLT

IFIN: Recovery overview



Category	INR Cr
Assets Resolutions/Recovery	697
Sale / Redemptions of Investments	235
Total Inflows : Oct'18 – Mar'19	931
Net Closing Balance on Mar 31, 2019	1,010

Summary of legal proceedings – As on Feb 28, 2019

Category of Legal Actions	Borrower Groups	No of Petition / Complaints
Section 138 Complaints	14	41
Recovery suits (including Summary)	10	18
NCLT Action	8	12
Mortgage Enforcement	1	2
SARFAESI Action	5	14

As on Mar 31, 2019 (Estimates)	INR Cr
External Exposure	
Credit	8,369
Investments	2,287
Sub Total (A)	10,656
Group Exposure	
Credit	5,364
Investments	1,485
Sub Total (B)	6,849
Other Current Assets (C)	1,300
Grand Total (A + B +C)	18,805
GNPA	%
Dec 2018 (unaudited)	~90.0%
Sep 2018 (unaudited)	~61.8%
Mar 2018 (Audited)	~5.3%

Operational actions

- Addressing ongoing operational challenges – securing release of O&M payments, termination notices from authorities, coercive action from international creditors, litigations, renewing critical bank guarantees
- Development of a **liquidity management framework** using a 12 month cash flow based solvency test
 - **Classifying 169 domestic entities** of the group into ‘Green’, ‘Amber’ and ‘Red’ categories 
- Month-on-month **budgeting and review** of liquidity position for 75 material entities 
- Driving cost optimization and receivables collection initiatives
 - **28% reduction** in total opex monthly run-rate between Oct’18 and Mar’19
 - Annual impact of **over INR 300 Cr** basis run-rate reduction
- All contracts assessed for viability. Unviable contracts foreclosed
- Initiatives to clear **back-log on salaries**
- Resolving crisis involving ILFS Group employees
 - Secured release and **safe return of employees held hostage in Ethiopia**
- Monetisation of non-core assets – Luxury cars, immovable properties underway

Domestic entities: Green, Amber, Red categorisation

- Categorization based on **cash-flow solvency test** was carried out to **determine course of action** i.e. managing liquidity, implementing payment protocol etc. until resolution is implemented
- **157 (out of 169) Domestic IL&FS entities** have been categorized in 3 categories viz. “Green”, “Amber” & “Red”

Summary – Entity categorization based on 12 month cash flow solvency test

Category	# of Entities	# of Entities with External Debt	External FB Debt (INR Cr)
Green	54	19	10,472 (12%)
Amber	13	13	16,372 (18%)
Red	82	33	61,375 (69%)
Under Liquidation /CIRP/ Striking Off	8	1	6 (0.007%)
Entities Categorized (A)	157	66	88,225 (99%)
Entities with <=50% IL&FS holding (Not Categorized) (B)	12	3	1,021 (1%)
Subtotal (C = A+B)	169	69	89,246 (100.0%)
International Entities (Excluded by NCLAT from moratorium) (D)	133	7	4,969
Total (E = C+D)	302	76	94,215

Liquidity management

- Monthly budgeting and review meetings: **75 entities** have been identified and prioritized basis nature and size of operations
- **Objective: Ensuring operational continuity** without any additional cash infusion
 - **Reviewing actual cash flows** (collections, payroll, contractors, statutory, admin etc.) for the previous month to highlight budget vs. actual variances
 - Understanding and reviewing **operational challenges** being faced by the company, and escalating the same
 - Discussing **forecast of collections and payments** for the coming month and developing an estimate of the same for future periods
 - Identifying **avenues for liquidity generation** in entities with cash shortfall, and driving these initiatives with key management personnel

THANK YOU