

## MOVE TO AVOID DEFAULT ON SOVEREIGN GUARANTEES Govt pays ₹ 25 cr to Asian Development Bank and KfW

# Govt Pays Back Some IL&FS Lenders, May Have to Shell Out ₹250 crore More

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**Mumbai:** The government has paid up Rs 25 crore to Asian Development Bank (ADB) and German development bank KfW on sovereign guarantees issued on behalf of the now financially distressed Infrastructure Leasing & Financial Services (IL&FS) and is staring at another Rs 250 crore payout towards guaranteed IL&FS loans.

The government paid this sum in instalments between October 2018 and March 2019 after IL&FS defaulted on loan repayments, sources close to the development said.

IL&FS had taken two loans totalling about Rs 850 crore split in dol-

lar and euro denominations for road and water projects. After the default, payment of principal and interest was due between October and March. All these loans have a sovereign guarantee, which implies that the government will have to pay these loans in case of any default.

Considering the default status of IL&FS, the government had no option but to pay from its contingency funds to avoid a default on a loan guaranteed by it, one of the people quoted above said. It is shown as loan towards defaulting company till resolution or liquidation. The government will have to pay the balance about in case IL&FS continues on to default on its obligation.



“The government has paid Rs 25 crore- \$3 million to ADB and \$1.2 million to KfW that was due by the end of last financial year from its contingency funds,” this person said. “We are working with the bo-

ard to resolve this issue in the coming months.”

IL&FS had taken a loan of \$50 million for road projects and another \$50 million for water projects. These loans were guaranteed by the government of India as the loans were availed from overseas.

The loans were used for toll road projects in Gujarat, Andhra Pradesh and Rajasthan and water supply projects in Tamil Nadu and Odisha.

IL&FS group companies have an outstanding debt of over Rs 91,000 crore. The Mumbai bench of the National Company Law Tribunal (NCLT) superseded the IL&FS board with a government-nominated board on October 1 last year.

The ministry of corporate affairs (MCA) had approached the National Company Law Appellate Tribunal (NCLAT) for a 90-day moratorium on loans taken by IL&FS group companies.

As part of the resolution framework, the new board has categorised IL&FS group units into green, amber and red, based on their ability to meet payment obligations over the coming 12 months. Those able to meet all payment obligations are green. Those that can only make operational payments and meet senior secured debt obligations are categorised as amber; while those unable to meet obligations for even senior secured financial creditors are categorised as red.