

LOK SABHA

UNSTARRED QUESTION NO. 886

TO BE ANSWERED ON FRIDAY, DECEMBER 14, 2018/AGRAHAYANA 23, 1940 (SAKA)

IL&FS

QUESTION

**886 : SHRI VINAYAK BHAURAO RAUT:
SHRI M.K. RAGHAVAN:
DR. PRITAM GOPINATH MUNDE:
SHRI DHARMENDRA YADAV:
SHRI ADHALRAO PATIL SHIVAJIRAO:
SHRI SHRIRANG APPA BARNE:**

Will the Minister of FINANCE be pleased to state:

- (a) whether the ratings of project financier Infrastructure Leasing & Financial Services Limited (IL&FS) and its subsidiary IL & FS Financial Services were sharply downgraded, if so, the details thereof and the main reasons behind troubles of IL&FS;
- (b) whether the Government has assessed impact of debt ridden IL&FS on financial system, if so, the details thereof;
- (c) whether road construction is undertaken by IL&FS mainly through special purpose vehicles floated by its subsidiary IL&FS Transportation Networks (ITNL), if so, the details thereof;
- (d) whether there have been claims made by IL&FS that the crises would have been avoided if the money released by the concession authorities were released on time, if so, the details thereof;
- (e) whether there is differences between the RBI & the Government on the bailout of IL&FS and if so, the cases of difference and details of the dispute; and
- (f) whether the Government has worked out remedial measures to address the problem faced by the IL&FS and its subsidiary, if so, the details thereof and the steps taken by the Government to safeguard the interest of investors?

ANSWER

**MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PON. RADHAKRISHNAN)**

(a) : Non-convertible Debentures (NCDs) issued by IL&FS and its subsidiary IL&FS Financial Services Ltd. (IFIN) were downgraded from AAA (Stable) rating in March 2018 to AA+/AA in August 2018, and was further downgraded to BB/C and thereafter to D in September 2018.

As informed by Reserve Bank of India, IL&FS Transportation Networks Limited (ITNL), one of the group companies started defaulting in repayment of their borrowed funds since June 21, 2018 which was followed by start of default by ILFS and IFIN on August 25, and August 28, 2018 respectively. The group is mainly into infrastructure projects. Delay in acquiring land for various projects and consequent delayed execution led to delayed receipts of payment and availing of refinance and take-over finance from other institutions, including banks, over the

tenor of the projects. To keep them going, ILFS and IFIN borrowed and provided funds to the ITNL and other group entities. It included raising of Commercial Papers, Certificate of Deposits, Inter Corporate Deposits, which are short term in nature, and calling for frequent roll overs, embedding illiquidity into the balance sheets of the companies. The Companies and Special Purpose Vehicles (SPV) exhausted their funding limits with banks. In the above backdrop, ITNL began to default from June 2018 and it spread to ILFS and IFIN.

(b) : Yes. The Financial Stability and Development Council (FSDC) in its 19th meeting held on 30th October, 2018, inter alia, discussed at length the current liquidity situation, including segmental liquidity position in Non-Banking Financial Companies' (NBFCs) and mutual fund space.

(c) : As informed by IL&FS, the road construction projects are being undertaken by special purpose vehicle entities incorporated by ITNL. Details of the projects are at Annexure.

(d) : In the petition under Section 230 of the Companies Act, 2013 filed on 24 September 2018 (by the previous management) before the National Company Law Tribunal, Mumbai Bench, it was stated that (i) various SPVs of ITNL had filed claims against concessioning authorities aggregating to INR 10,288 crores and in particular, IL&FS's funds had been depleted primarily due to frequent deployment of funds into ITNL and its SPVs; and (ii) that ITNL and its SPVs have been awaiting payment from various concession authorities for the relevant projects for the past 2-3 years.

(e) : Bail out of IL&FS is not dealt with by RBI.

(f) : The Government superseded the existing Board of IL&FS, and appointed a new Board of Directors on 1 October 2018. The new Board is tasked with the responsibility of preparing a robust and time bound resolution plan.

Annexure as referred to in reply to part (c) of the Lok Sabha Unstarred Question No. 886 for 14.12.2018 raised by Hon'ble Members Of Parliament, Shri Vinayak Bhauroo Raut, Shri M.K. Raghavan, Dr. Pritam Gopinath Munde, Shri Dharmendra Yadav, Shri Adhalrao Patil Shivajirao and Shri Shrirang Appa Barne regarding "IL&FS"

DETAILS OF ROAD PROJECTS UNDERTAKEN BY ITNL AND ITS INDIAN SUBSIDIARIES

S No	Entity	Authority	Type	Status
1	Jharkhand Road Projects Implementation Company Limited	Government of Jharkand	Annuity	Operational
2	Thiruvananthapuram Road Development Company Limited	Government of Kerala	Annuity	Operational
3	Karyavattom Sports Facilities Limited		Annuity + user fees	Operational
4	East Hyderabad Expressway Limited	Hyderabad Urban Development Authority ("HUDA")	Annuity	Operational
5	Hazaribagh Ranchi Expressway Limited	National Highways Authority of India ("NHAI")	Annuity	Operational
6	Jorabat Shillong Expressway Limited	NHAI	Annuity	Operational
7	Chenani Nashri Tunnelway Limited	NHAI	Annuity	Operational
8	North Karnataka Expressway Limited	NHAI	Annuity	Operational
9	Road Infrastructure Development Company of Rajasthan	Government of Rajasthan	Toll	Operational
10	RIDCOR Infra Projects Limited		Toll	Operational
11	Sikar Bikaner Highway Limited	Ministry of Road Transport and Highways ("MORTH")	Toll	Operational
12	West Gujarat Expressway Limited	NHAI	Toll	Operational
13	Pune Sholapur Road Development Company Limited	NHAI	Toll	Operational
14	Moradabad Bareilly Expressway Limited	NHAI	Toll	Operational
15	Baleshwar Kharagpur Expressway Limited	NHAI	Toll	Operational
16	Barwa Adda Expressway Limited	NHAI	Toll	Operational
17	Rapid MetroRail Gurgaon Limited	Government of Haryana	User fees	Operational
18	Rapid MetroRail Gurgaon South Limited		User fees	Operational
19	MP Border Checkpost Development Company Limited	Government of Madhya Pradesh	User fees	Operational
20	ITNL Road Infrastructure Development Company Limited	MORTH	Toll	Operational
21	Khed Sinnar Expressway Limited	NHAI	Toll	Operational
22	Jharkhand Infrastructure Implementation Company Limited	Government of Jharkhand	Annuity	Under Construction (92%)
23	Rail Over Bridges, Gujarat	Government of Gujarat	Annuity	Under Construction

				(5%)
24	Srinagar Sonmarg Tunnelway Limited	National Highways and Infrastructure Development Corporation Limited ("NHIDCL")	Annuity	Under Construction (42%)
25	Fagne Songadh Expressway Limited	NHAI	Toll	Under Construction (65%)
26	Amravati Chikhli Expressway Limited	NHAI	Toll	Under Construction (22%)
27	Kiratpur Ner Chowk Expressway Limited	NHAI	Toll	Under Construction (62%)
MINORITY INTERESTS				
1	Noida Toll Bridge Company Limited	New Okhla Industrial Development Authority	Toll	Operational
2	Warora Chandrapur Ballarpur Toll Road Limited	Government of Maharashtra	Toll	Operational
3	Ramky Elsamex Hyderabad Outer Ring Road	HUDA	Annuity	Operational
EPC				
1	Zojilla	NHIDCL	EPC	Under Construction (0%)
2	Chennai Metro Rail Stations	Chennai Metro Rail Limited	EPC	Under Construction (42%)
3	MPRDC -2	Madhya Pradesh Road Development Corporation	Item rate	Under Construction (18%)
4	MPRDC - 10		Item rate	Under Construction (30%)
5	MPRDC - 11		Item rate	Under Construction (25%)