

**GOVERNMENT OF INDIA  
MINISTRY OF CORPORATE AFFAIRS**

**RAJYA SABHA  
UNSTARRED QUESTION NO. 1746  
ANSWERED ON TUESDAY, THE 9<sup>th</sup> JULY, 2019/ASHADHA 18, 1941 (SAKA)**

**RESOLUTION OF DEBTS OF IL&FS AND ITS SUBSIDIARIES**

**QUESTION**

1746. SHRI SANJAY SINGH:

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether it is a fact that Infrastructure Leasing and Financial Services (IL&FS) has defaulted in payment obligations of bank loans (including interest), term and short-term deposits and failed to meet the commercial paper redemption obligations since 2018;
- (b) whether it is also a fact that IL&FS group has at least 24 direct subsidiaries, 135 indirect subsidiaries, six joint ventures and four associate companies under a total debt of about Rs. 91,000 crore; and
- (c) if so, the measures taken so far and considered by Government to resolve the debt issue of IL&FS?

**ANSWER**

THE MINISTER OF STATE FOR  
FINANCE AND CORPORATE AFFAIRS

(SHRI ANURAG SINGH THAKUR)

(a): Infrastructure Leasing & Financial Services (IL&FS) faced its first default by a subsidiary, IL&FS Transportation Networks Limited (ITNL), in June 2018 where it defaulted on inter-corporate deposits and commercial papers (borrowings) worth about Rs 450 crore.

ICRA ratings agency issued a note in July which highlighted debt servicing irregularities of four subsidiaries of ITNL (special-purpose vehicle project) while a fifth project dipped into DSRA (debt service reserve account) to service the loans. In August, the long-term rating on Rs 4,475 crore worth of debt securities was downgraded from AAA to AA+ by ICRA considering the high debt and funding given to group companies.

On 4th September 2018, IL&FS defaulted on a Rs 1,000 crore short-term loan from SIDBI (Small Industries Development Bank of India) while a subsidiary also defaulted on Rs 500 crore due to the development financial institution. Post the defaults, the previous management tried to raise funds via rights issue of Rs 4,500 crore, but it didn't take off.

(b): IL&FS Group comprises of 302 foreign and domestic companies. It comprises of 1 Core investment company, 26 direct subsidiaries, 139 indirect subsidiaries, 8 direct joint ventures, 35 indirect joint ventures, 4 direct associates, 15 indirect associates and 74 joint controlled

operations under a total aggregated external fund-based debt of about INR 94,216 crore as on 8<sup>th</sup> October 2018.

Location of Entity	Number of Entities	External Fund-based debt as on 8 <sup>th</sup> Oct'18 (Principal O/s in Cr)
Domestic	169	89,246
Foreign	133	4,970
<b>Total</b>	<b>302</b>	<b>94,216</b>

Type of Entity	Number of Entities	External Fund-based debt as on 8 <sup>th</sup> Oct'18 (Principal O/s in Cr)
Core Investment Company (CIC)	1	18,052
Direct Subsidiaries	26	32,644
Indirect Subsidiaries	139	32,187
Direct Joint Ventures	8	3,040
Indirect Joint Ventures	35	6,350
Direct Associates	4	1,111
Indirect Associates	15	832
Joint Controlled Companies (JCO)	74	Nil
<b>Total</b>	<b>302</b>	<b>94,216</b>

(c): Due to continuous failure of the Infrastructure Leasing and Financial Services Ltd. (IL&FS) to service its debt and imminent possibility of contagion effect in the financial market, the Central Government moved an application under Sections 241 and 242 of the Companies Act, 2013 before the National Company Law Tribunal (NCLT), Mumbai Bench for taking management control. The NCLT, Mumbai Bench vide its order dated 01/10/2018 approved the application filed in this regard, by suspending the erstwhile board of directors of IL&FS and appointed government nominees as directors, who have been tasked with the orderly resolution of the IL&FS and its group companies. The entire process is being carried out under the supervision of the NCLT. In order to ensure period of calm during the resolution process, a moratorium was sought against the creditors, which has been granted on interim basis by the National Company Law Appellate Tribunal (NCLAT) until further orders. Justice (Retd.) D.K. Jain, Supreme Court of India has been appointed by the NCLAT to oversee the monetization and resolution of the assets of IL&FS and its group companies.

Besides the resolution of the company, the Central Government has ordered investigation to be carried out by the Serious Fraud Investigation Office (SFIO) into the affairs of IL&FS Ltd. and its subsidiary companies on 30/09/2018. The SFIO has, so far, submitted its 1st Interim Report dated 30/11/2018 and its 2nd Interim Report dated 28/05/2019, which have been filed before the NCLT.

In pursuance of the interim reports filed by SFIO, the Central Government had sought relief from the NCLT for restraining the suspects/respondents identified by SFIO, from alienation of

their moveable and immovable properties. In addition to the above, the Central Government has also filed a contempt petition against certain additional respondents for violation of the orders of restraint passed by the NCLT. The NCLT has, till date, restrained the following respondents from alienating their moveable and immovable properties:

<b>S. NO.</b>	<b>NAME OF RESPONDENT</b>
1	Hari Sankaran
2	Arun K Saha
3	Ravi Parthasarathy
4	Vibhav Kapoor
5	K Ramchand
6	Ramesh C Bawa
7	Pradeep Puri
8	S Rengarajan
9	Mukund Sapre
10	Asha Kiran Bawa
11	Aakanksha Bawa

Further, based on the 2nd Interim Report dated 28/05/2019 submitted by SFIO, the Central Government has also filed a petition under Section 140(5) of the Companies Act, 2013 against the Statutory Auditors of IL&FS Financial Services Ltd., for *inter alia* seeking the removal of the present statutory auditors and banning them for a period of 5 years.

Furthermore, SFIO has filed a complaint before the Special Court at Mumbai against IL&FS Financial Services Ltd. and its directors, certain officers and also against its auditors, under Sections 447, 36 r.w. 447, 143 r.w. 147, 129 r.w. 448 and 184(4) of the Companies Act, 2013, Sections 68 r.w. 211 and 628 of the Companies Act, 1956 and Sections 120B, 417 and 420 of the Indian Penal Code, 1860.

The Central Government has also filed an application before the NCLT for impleading the accused, named by SFIO in its complaint before the Special Court at Mumbai, as respondents in its petition before the NCLT and has sought relief for restraining the additional suspects/respondents from alienation of their moveable and immovable properties.

The investigation by the SFIO into the affairs of IL&FS Ltd. and its subsidiary companies is ongoing and the matters before the NCLT, NCLAT and Special Court, Mumbai are sub-judice.

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