

Twin setback: Order, order! HC bar on IL&FS, CEO Bawa quits

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In a filing to the BSE late on Friday, IL&FS Financial Services said Ramesh C Bawa, managing director and chief executive officer of the “has tendered his resignation with effect from September 21, 2018”.

The move comes after the company in an earlier filing said it has received an order from the [Delhi High Court](#) (HC) restraining its roads arm IL&FS Transportation Networks (ITNL) from selling any of its assets till December 7, 2018.

The company said the order was passed on September 18, after Aditya Birla Finance (ABFL), a creditor of two of ITNL’s road projects, filed an arbitration application under Section 9 of the Indian Arbitration and Conciliation Act before the Delhi HC. According to the Delhi HC website, the cases pertain to ITNL’s Chenani Nashri Tunnelway Limited and Pune Sholapur Road Development Company. ABFL is being represented by Khaitan & Co.

Lawyers said the move by ABFL will put a temporary halt on the asset sale process. According to Karan Kalra, head of financial services at Nishith Desai Associates, the Arbitration Act, which lays down the process of arbitration, has a step to grant interim relief to not dispose assets.

“The fact they have a stay order is an interim move until and unless the arbitration process is decided,” Kalra said.

IL&FS, which had been hoping to raise funds to tide over a liquidity crisis and stave off further defaults on commercial papers, will now have to seek the Court’s permission to raise funds via any asset sales. The company’s shareholders, notably Life Insurance Corporation of India and State Bank of India (SBI) had asked the company to come up with a turnaround plan including the asset sale programme before extending it further support.

The HC order is limited to ITNL and does not stop the company from disposing of assets in its other subsidiaries. However, of the 25 assets that IL&FS had identified for disposal, a chunk of it is under its roads development subsidiary. FE reported on September 1 that ITNL and IL&FS Energy account for about 22 of the 25 projects identified for sale, with most of these falling under ITNL. In fact, ITNL had already received offers for 14 of its road projects and was hoping to conclude the sale process for at least seven of them before the end of October. According to sources, ITNL will continue to discuss the possibility of concluding a sale with potential buyers, and will approach the court if it reaches an agreement before December 7.

FE also reported on July 24 that IL&FS was in talks with the National Investment and Infrastructure Fund (NIIF), to sell a chunk of its roads and energy portfolio to reduce its Rs 91,000 crore debt pile.

The company is also in talks at present with Cube Highways and private equity firm Lone Star Funds who have evinced interest in the roads portfolio. In fact, Lone Star and IL&FS have a partnership to invest in stressed assets. Sources said the partnership is certainly not functional anymore.

The company has also put its fancy headquarters, located in Mumbai’s Bandra Kurla Complex (BKC), on the block. Sources said a valuation exercise has been completed,

putting the figure around Rs 1,300 crore, with PE firm Blackstone reportedly having evinced interest. The iconic building, one of the first modern buildings in BKC, was built at a cost of Rs 400 crore.

IL&FS has also mandated SBI Capital Markets to look for an equity investor for its financial services subsidiary IL&FS Financial Services. According to sources, the company is also selling off its water and waste-water projects, housed under its business vertical IL&FS Water, and its waste-to-energy projects under IL&FS Environmental Infrastructure & Service. It will also dispose IL&FS Cluster Development Initiative, a company that focuses on sustainable solutions for micro, small and medium enterprises. The company may sell one of its three maritime assets housed under IL&FS Maritime Infrastructure Company (IMICL). Dighi Port, which does not come under IMICL, but was jointly developed by IL&FS and Balaji Infra Projects, is already facing bankruptcy proceedings under the Insolvency and Bankruptcy Code. Dighi Port runs a private port in Maharashtra's Raigad district.