

## IL&FS crisis: More skeletons out, company under-reported assets by Rs 50,000 cr

By: [Rouhan Sharma](#) | Mumbai | Updated: October 9, 2018 9:00 AM



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Not only did IL&FS have many more subsidiaries than estimated earlier, but the company also under-reported its assets by about Rs 50,000 crore.

According to REDD Intelligence, a stressed debt analytics provider, the IL&FS group had total assets worth over Rs 1.65 lakh crore, but reported consolidated assets of Rs 1.16 lakh crore.

<b>IL&amp;S parent balance sheet</b>	
Parent debt	₹16,000 cr
Consolidated debt	₹91,000 cr
<b>ASSETS</b>	
<b>Loans to related parties</b>	<b>₹6,300 cr</b>
■ Debentures at subsidiaries	₹1,930 cr
<b>Equity investments</b>	<b>₹10,300 cr</b>
<b>LIABILITIES</b>	
<b>Secured loans</b>	<b>₹12,800 cr</b>
■ Secured debentures	₹9,730 cr
■ Secured term loans	₹2,340 cr
<b>Unsecured Loan</b>	<b>₹3,850 cr</b>
■ Inter-corporate deposits	₹1,400 cr
■ Commercial paper	₹2,000 cr
■ Other unsecured	₹200 cr
<b>EQUITY</b>	
■ Shareholders Fund	₹6,950 cr

Source: REDD Intelligence, annual reports

The Singapore-based research firm calculated the total assets of the parent company and its 175 subsidiaries from information mentioned in IL&FS' annual report. However, the new board of IL&FS, which took charge of the company from October 1, said the company's existing management told it there were actually 348 subsidiaries, associates and joint ventures.

In the report dated September 27, the firm also said IL&FS has Rs 30,000 crore of loans at risk. Of the group's total debt of Rs 91,000 crore, Rs 68,000 crore is secured, while Rs 23,000 crore is unsecured.

The report said: "Given the second lien nature of the secured loans at IL&FS parent and IL&FS Transportation Networks (ITNL), recovery could be constrained by the quality of the collateral (equity pledges from operating subsidiaries)."

The loan to subsidiary Tamil Nadu Power Company, which owns a 1,200 MW plant, is also at risk following filing a local insolvency process by bank lenders. The required equity infusion could be in the range of Rs 22,500 crore to Rs 30,000 crore, much higher than the earlier rights issue of Rs 4,500 crore that was proposed, the research firm said, adding that the equity required to right size the balance sheet is about Rs

30,000 crore, equal to standalone borrowings at IL&FS and ITNL.

"Excessive holding company leverage was used to finance parent contributions in operating subsidiaries," the report said. Hence, IL&FS needs to make an impairment of at least Rs 15,000 crore before even considering the recovery of about

Rs 14,000 crore in loans and advances to its subsidiaries.

The research firm estimates IL&FS would need to write off over Rs 3,000 core in losses. It also said IL&FS has not provided any information on asset pledges, but believes that it might already have pledged shares of its subsidiary IL&FS Securities Services (ISSL) which was sold to IndusInd Bank in June. It is unlikely that sale of ISSL will bring in any cash into IL&FS as it may be pledged for borrowings, the report noted.

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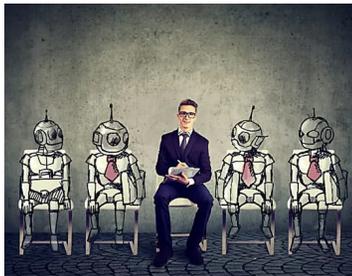
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