New IL&FS board on cost cutting drive

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Board looks to reduce total manpower and wage cost

MUMBAI, DECEMBER 4

The new IL&FS Board said it will take up manpower cost optimisation initiatives across the debt-laden and cash-strapped IL&FS Group in two phases, bringing down total manpower by approximately 65 per cent and wage cost by 50 per cent.

“Phase I will contemplate initiatives like salary rationalisation of employees, separation of superannuated consultants….The said steps are likely to yield net savings of approximately ₹100 crore annually,” said IL&FS in its Second Report on Progress and Way Forward, which has been submitted to the Ministry of Corporate Affairs.

The report said that the Phase II initiatives, which includes talent restructuring, amalgamation of roles and responsibilities, are under way. These steps will yield about 50 per cent savings in the wage bill of the group.

Several other initiatives are being initiated and that will bring down total manpower of the IL& FS Group by approximately 65 per cent and wage cost by 50 per cent, the report added.

Other measures

According to the report, the new Board has undertaken a series of steps which have resulted in reduced operating costs by terminating non-essential real estate premises and which has also provided some amount of liquidity (on account of refunds).

It said Phase I cost cutting measures will entail termination of guest houses leased by various entities within the IL&FS Group (the annual lease rental amounts aggregated to ₹5.60 crore). In addition to the saving on the lease rentals, the termination of such leases has also result in liquidity on account of refund of the security deposit, aggregating approximately ₹1.70 crore.

Closure of offices at various locations and cost reduction on facility management and administration related costs is expected to yield savings aggregating to ₹4.90 crore annually.

Generating revenue by leasing out office premises in the IL&FS Financial Services Centre to other companies might commence from February 2019. This will generate revenues to the tune of approximately ₹13.50 crore per annum and security deposit aggregating approximately ₹6.70 crore.

In Phase II, a few more offices for which leases are planned to be terminated will result in savings on rental and administration related expenses. Proposals for sale of cars, non-core assets and office premises are also being evaluated as measures to generate liquidity.

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