

Update for IL&FS Transportation Networks Ltd (ITNL) Recovery Process

DSP Mutual Fund ('Fund') held INR 300 crore (Face Value) of unsecured ITNL bonds guaranteed by the parent viz. IL&FS Ltd. across six schemes (refer to Table 1 for exposure details). In December 2018, Fund completely wrote off exposure in ITNL bonds following the default and as the IL&FS group's ability to repay the remainder of the loan was fully impaired.

IL&FS and its group companies (including ITNL and its subsidiaries) are being resolved under the supervision of government nominated board of directors appointed by National Company Law Tribunal by its order dated October 1, 2018.

Table 1: Details of Exposure (INR Cr)

Scheme Name	Face Value	Claim Value (upto cut off date Oct 15, 2018)	Scheme AUM (as on Dec 7, 2020)
DSP Equity & Bond Fund	45	573,146,686.52	6,113.26
DSP Regular Savings Fund	14	178,312,302.47	191.17
DSP Bond Fund	10	127,365,930.34	381.76
DSP Ultra Short Fund	50	636,829,651.69	3,358.64
DSP Credit Risk Fund	176.5	2,248,008,670.47	313.98
DSP FMP - Series 195 - 36M	4.5	57,314,668.65	53.73*

* The scheme matured on April 15, 2019

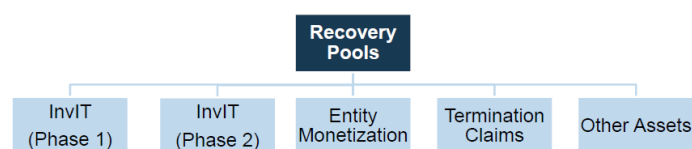
Details of Resolution Plan –

ITNL's portfolio comprised of 15 operating assets, 10 under termination assets and other investments. An asset monetisation process covering all 15 operating assets was launched in Dec 2018 where binding bids were received for 10 assets but for 5 assets were significantly lower than fair market value (FMV).

The New Board subsequently decided to proceed with the divestment process for the 5 assets where the bid was higher/ within 10% of the average FMV. For the balance assets, setting up an InvIT (registered with SEBI) was considered as a preferred option that could facilitate potentially higher value realisation for all stakeholders.

The NCLAT, has approved in entirety the resolution procedure for the IL&FS group set out by the MCA in its affidavits, vide its order and judgment dated March 12, 2020.

The assets are proposed to be transferred to the InvIT in two phases. In exchange for transferring assets to the InvIT, ITNL will receive units of the InvIT (which will be listed on the stock exchange). ITNL will then distribute the units of the InvIT received by them to their respective lenders in accordance with the resolution framework as approved by NCLAT.



InvIT (Phase 1) – BREL, BKEL, SBHL, EHEL, MBEL, JRIPCL, WGEL
 InvIT (Phase 2) – HREL, PSRDCL, RIDCOR*, TRDCL
 Entity Monetization – CNTL, JIICL, JSEL
 Termination Claims – FSEL, ACCL, IRIDCL, KNCEL, KSEL, SSTL, RMGL, RMGSL, MPBDCL and other claims from Authorities
 Other Assets – Other entities, Tax Refund, PPE, investment under property development

*Various abbreviations refer to the different projects undertaken by ITNL

Approval being sought from lenders –

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1. Final approval for the structure of the proposed InvIT and the conversion of the exposure that ITNL (and other IL&FS Group entities) have in the Phase 1 SPVs into InvIT Units
2. The transfer of (a) the equity shares for the Phase 1 SPVs; and (b) receivables owed to ITNL, to the InvIT in exchange for InvIT units for following Phase 1 SPVs

Rationale for voting in favour of the proposal –

The recovery would be through a mix of cash, realised from monetisation of assets and termination claims, and InvIT units. The Committee of Creditors (CoC) requires an affirmative vote by 67% lenders for approval of the structure of the proposed InvIT and the conversion of the exposure that ITNL (and other IL&FS Group entities) have in the SPVs into InvIT Units. In the absence of any other alternatives for recovery, we see this as a positive step towards a faster resolution and hence would be in favour of voting for the proposal. The deadline to vote is December 11, 2020.

As per March 12, 2020 order approved by NCLAT the distribution to the secured creditors will be upto liquidation value and the remaining amount to be distributed pro-rata to each class of creditors. Estimated recovery for us could be upto 26% of claim value. This would positively impact all the schemes (mentioned in table 1), however the actual recovery percentage would vary as there are several moving parts to the resolution process. An indicative recovery proposal shared by the management is given below.

Average Liquidation Value (2 Valuers)	2,311
Admitted Claims by GT ^[2]	17,231

Category	ITNL Recovery (Rs. Cr)	% Recovery for ITNL
(A.1) From InvIT Phase 1	2,571	69%
(A.2) From InvIT Phase 2	1,156	73%
(B) From Entity Monetization	531	30%
(C) From Termination Claims	838	
(D) From Other Assets	443	
(E) Cash (as on Oct-31)	630	
Total	6,169 ^[1]	

Category	Admitted Claims	Claims Recovered	% Recovery
Secured FC	8,908	4,017	45%
Unsecured FC	7,761	2,007	26%
Operational Creditors	562	145	26%
Total	17,231 ^[2]	6,169 ^[1]	36%