

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 27, 2021)
DSP Equity & Bond Fund	45	57.3	7518.28
DSP Regular Savings Fund	14	17.8	227.67
DSP Bond Fund	10	12.7	473.10
DSP Ultra Short Fund	50	63.6	3572.60
DSP Credit Risk Fund	176.5	224.8	261.92
DSP FMP - Series 195 - 36M	4.5	5.7	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 monetization process covering all 15 operating assets was launched in December 2018, binding bids were received for 10 assets out of which 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 realization 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.

The recovery would be through a mix of cash, realized from monetization 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 our view no other alternatives for recovery, we see this as a positive step towards a faster resolution and hence would vote favorably for the proposals in the interest of investors.

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. As per the last communication by the management estimated recovery as per the approved formula 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 considering the complexity of the resolution process and the fact that distribution proposal approved by NCLAT has been challenged in the Supreme Court by secured lenders.