

## Updated Note – September 2021

IL&FS Mutual Fund (IDF) invested in secured Zero-Coupon NCDs amounting to Rs 200 crores issued by IL&FS Wind Energy Limited (IWEL) in September 2016. Pursuant to rating downgrade of IWEL, IL&FS IDF had sought pre-payment of the NCDs from IWEL.

The Committee of Creditors (COC) (including IDF) of IWEL granted an approval in April 2019 for sale of IWEL's stake in 7 Wind SPVs based on distribution framework governed by Section 53 of IBC. On receipt of approval from COC, IL&FS Group completed sale of 51% stake held by IWEL to ORIX Japan on basis of NCLT approval and realized proceeds of Rs.590 crores (approx.) in November 2019 which is currently deposited in an escrow account.

The Management of IDF had repeatedly followed up and made representations to IL&FS for distribution of the proceeds in accordance with the discussions made in the COC meeting.

IL&FS Group is being managed by the new Board under an NCLT order and the distribution of sale proceeds received by IWEL to its lenders requires IL&FS Board to first file a resolution plan for IWEL with NCLT and NCLT needs to approve the same before IWEL can distribute the proceeds received from sale of its 51% shareholding in the wind SPVs to Orix. Once the requisite approval is received by IL&FS, distribution will be made to the lenders which includes IDF.

However, in January 2020, the IL&FS Board applied to NCLAT for approval of a revised distribution framework for group resolution and the same was approved by NCLAT in March 2020. IDF represented to IL&FS that revised distribution framework of IWEL is not acceptable to IDF as there is a fundamental change to the earlier distribution approach after obtaining the COC approval for sale which was based on the earlier distribution framework.

This revised distribution framework of IWEL is not acceptable to IDF as the same is not in the interest of the unitholders. In order to protect the interest of the unit holders, IDF has filed a civil appeal with Hon'ble Supreme Court on December 10, 2020. The matter is yet to be heard by the Hon'ble Supreme Court and we await the outcome of the same.

Considering that the final tranche of facility to IWEL has fallen due on 30 September 2021, we have conservatively provided for the entire amount of exposure on 30 September 2021