

23 July 2019

IBC 2016 in Motion

**Billions to Bust...the
Story**

Essar Steel

After the IBC process is over, the Ruias would have lost not only their crown jewel, Essar Steel (Rs20,000 crore revenue in the last financial year), but also a number of power and port assets that lenders are referring to the National Companies Law Tribunal or NCLT. They will still own some companies but the group will be less than one-third the size it was five years ago.

The only consolation is that even after losing Essar Steel, the Ruias would control several companies with combined revenues of over \$7 billion, thanks to the Stanlow refinery in the UK.

Bhushan Steel and Bhushan Power & Steel

After Neeraj's Bhushan Steel has been snapped up by Tata Steel, while JSW Steel and Tata Steel are fighting for Sanjay's Bhushan Power and Steel. The Singals will have no significant business left after this.

Jaypee Infratech and Jaiprakash Associates

They started off as government contractors for big dams such as Sardar Sarovar and Tehri. But after the IBC process is over, they would have lost almost all their businesses - cement, power, real estate and infrastructure. The most profitable cement plants have already been sold to clear some debt. The real estate business is facing bankruptcy, and after its sale/liquidation, the Gaurs will probably have a handful of relatively smaller assets, if anything.

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Billions to Bust...the Story

ESSAR STEEL INDIA – RUIAs

BHUSHAN STEEL,
BHUSHAN POWER & STEEL
– SINGHALs

JAYPEE INFRATECH &
JAIPRAKASH ASSOCIATES –
GAURs

LANCO INFRATECH – RAOs

AMTEK AUTO – DHAMs

VIDEOCON INDUSTRIES –
DHOOTs

MONNET ISPAT – JAJODIAs

BINANI CEMENT – BINANIs

RUCHI SOYA – SHAHRAs

ABG SHIPYARD -
AGARWALs

Lanco Infratech

By 2010, the company increased its power generation capacity to 2,000 MW. Rao secured \$1.5 billion funding for an additional 1,320 MW power plant in eastern India; floated a subsidiary in Singapore for foraying into power projects in emerging markets; partnered with Indonesian miner Bukit Asam; and pursued solar energy projects in Europe and the US. The Wayne State University graduate was the 29th richest Indian with a net worth of \$2.3 billion in 2010.

While going to the NCLT, close to 4,636 MW was under construction. It reported nearly Rs10,000 crore revenues in March 2015. But last three years' losses come to over Rs4,000 crore, mainly due to interest paid on the huge debt (Rs47,000 crore at the end of the 2017 financial year) and structural problems in the power sector that are affecting almost all big power producers.

Amtek Auto

In the financial year ended September 2014, it had a whopping consolidated debt of Rs17,663 crore. It first defaulted in September 2015 on its Rs800 crore bonds. After this, things went from bad to worse. By the time it was referred to the NCLT, it had a debt of Rs4,000 crore. The company posted more standalone losses than revenues in 2016/17 - it made a loss before tax of Rs2,244 crore and generated revenue of less than Rs2,000 crore. London-based Liberty House paid Rs4,334 crore for the company. Liberty's resolution plan for Amtek's subsidiary, Castex Technologies, has also been approved.

Videocon Industries

In June, the NCLT's Mumbai Bench admitted the insolvency petition after it failed to repay its Rs21,000 crore debt. Reports say the SBI-led consortium has sought permission from the RBI to postpone action against subsidiary Videocon Oil Ventures that owes Rs20,000 crore to lenders.

Ruchi Soya

Ruchi owes Rs12,000 crore to creditors. Last year, it announced a 51 per cent stake sale to private equity major Devonshire Capital for about Rs4,000 crore. However, with the NCLT admitting its case, the Devonshire deal failed to close. It is at the centre of a takeover battle between Adani Wilmar and Patanjali Ayurved. The creditors approved Adani Wilmar's Rs6,000 crore resolution plan but Patanjali moved the NCLT seeking disqualification of Adani.

Monnet Ispat

Jajodia has now lost Monnet. A small consolation is that it has been bagged by his brother-in-law Sajjan Jindal's JSW Steel.

Binani Cement

In July 2017, Binani was admitted for insolvency proceedings to recover dues of Rs7,000 crore. In the first round of bids, Rajputana Properties, a subsidiary of rival Dalmia Bharat, submitted the highest bid. However, Aditya Birla's UltraTech submitted a revised offer for Rs7,960 crore. The NCLAT has concluded the hearing and reserved judgment.

ABG Shipyard

In 2016/17, revenues were Rs16.40 crore, while debt was Rs10,000 crore. A restructuring saw bankers take control in 2016 by converting debt into equity. By the time it came up for resolution, Agarwal no longer had anything to do with his company

These companies are among the 12 big loan default cases which lenders had taken to the NCLT for resolution in the first round. In the next rounds, many other big names will also have to get used to a far smaller presence. The Videocon empire, for instance, will shrink to a handful of small businesses (including hydrocarbon assets abroad), as would several others, such as Ruchi Soya, built by the Indore-based Shahra family.

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