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IL&FS fiasco raises questions on credibility of raters: Injeti

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Corporate Affairs Secretary Injeti Srinivas on Thursday said the credibility of rating agencies had come under a cloud after the IL&FS crisis. Speaking at the annual summit of the Confederation of Indian Industry, Srinivas also expressed concern over a decline in the standards of corporate governance in the country.

Last year Infrastructure Leasing & Financial Services (IL&FS) defaulted on its debt payments, leading to a liquidity crunch in the non-banking financial company sector.

India Ratings & Research, ICRA, and CARE had given the firm the highest rating of AAA, even as its subsidiary IL&FS Transport Networks defaulted in June. There was a sudden downgrade in the ratings of bonds sold



by IL&FS and related entities after they defaulted on payment obligations in September. In some cases, rating agencies had downgraded the bonds from high investment grade AA+ to default or junk. A Securities and Exchange Board of India investigation into the role of ratings agencies in the crisis found them lacking. The Serious Fraud Investigation Office

is also probing these agencies and the company.

Insisting that there should be stringent oversight, Srinivas on Thursday said the government is planning to link all databases so that details of the companies are available to all authorities, including the Central Board of Direct Taxes and the Reserve Bank of India.

He said stringent enforcement measures should be brought since there is a lack of transparency in disclosures by companies.

He said there should be more disclosures so that the regulation is lesser, adding that is why the government wants directors to also update their know-your-customer (KYC) norms among others.

"There have been companies where directors have been office boys. When we went looking for the company, it was not to be found," he said.