

‘IFIN Ex-CEO Had Direct Role in Diverting ₹17.5kcr’

SFIO tells court that Bawa transferred funds to make the accounts of certain borrowers and group companies look healthy

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Mumbai: The Serious Fraud Investigation Office (SFIO) told a Mumbai court that Ramesh Bawa, the former CEO of IL&FS Financial Services (IFIN), played a direct role in diverting as much as ₹17,500 crore from the company to make the accounts of certain borrowers and group companies look healthy.

A part of the money was also transferred to his personal account, said the SFIO, which is probing alleged irregularities at the IL&FS group of companies.

The investigating arm of the Ministry of Corporate Affairs, which arrested Bawa from Delhi on Friday night, produced him before a holiday court on Sunday and got his custody till April 18.

The board that took charge at parent IL&FS after the irregularities at the group came to light said recently that as much as 90% of IFIN’s gross loans were non-performing at the end of December 2018.

“Many loans extended by IFIN were to companies with which Bawa

had some close relationships. He was not only instrumental in helping them bag loans but he used IFIN to routinely top up loans of borrowers to help them repay pending dues and ensure they did not become non-performing assets,” an official in the know of the investigation told E.T. “This was done to keep their financial statements afloat, and also to ensure that they continue to get good credit ratings.”

The intent of the management was postponement or avoidance of recognition of loans as NPAs and thereby avoiding provisioning as mandated by the Reserve Bank of India, the official said.

While seeking his custody for SFIO, senior counsel Hiten Vengoaonkar said Bawa was at the helm of the affairs at IFIN and fraudulently diverted ₹17,500 crore. “This is a huge amount considering the current state of the Indian economy,” he added.

The agency told the court that like Hari Sankaran, the former vice chairman of IL&FS who was arrested by the agency earlier this month, Bawa too got performance-linked pays,

The Allegations

IFIN extended loans to cos with which Bawa had close relationships

Bawa not only instrumental in helping these cos bag loans but also topped up loans of borrowers

This was done to keep their financial statements afloat, ensure they continued to get good credit ratings

Such lending was prejudicial to interests of the company

Management intended to avoid recognition of loan assets as NPAs

Overstatement of profits enabled payment of higher remuneration to the management

NOTHING PERSONAL
SFIO finds that a part of the money was also transferred to the personal account of the former CEO of IL&FS Fin Services

PROFIT ISSUES
Overstatement of profits enabled payment of higher remuneration to the management and dividend to IL&FS; Agency

salaries and perks. Overstatement of profits enabled payment of higher remuneration to the management and dividend to IL&FS, its remand application said.

“Also, in certain cases, we found that borrowers favoured by them (former management) offered them various incentives, including a fully funded foreign trip for the erstwhile board members and their families,” said the official.

IFIN, being an NBFC, borrowed money from the market through commercial paper, and from banks and retirement and other funds that invested in its debt instruments. The management then used the public money “to favour and unjustly enrich their personal close friends”, the remand application said.

When Bawa was asked by the court if he had anything to say, he said he wanted to engage a counsel. “I was arrested at 3 am and since then not allowed to communicate with anyone. I want to organise for a counsel but was not able to do that,” he said. Observing that it was a matter of right, the court has asked SFIO to allow Bawa engage a lawyer.