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## **ED Restrains IL&FS' Dalal from Selling Property**



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Shahzaad Siraj Dalal  
– the man who took

IL&FS overseas and led its PE  
foray – from selling his prop-  
erty in Mumbai's Babulnath  
area, report **Sugata Ghosh &  
Rashmi Rajput. ▶▶ 17**

# ED Restrains Former IL&FS Exec Dalal from Selling SoBo Property

Property has come under ED purview under Prevention of Money Laundering Act, 2002

Sugata Ghosh & Rashmi Rajput

**Mumbai:** The Enforcement Directorate (ED) has restrained Shahzaad Siraj Dalal – the man who took IL&FS overseas and led its ambitious private equity initiative – from selling his property in South Mumbai's Babulnath area.

Dalal had resigned from IL&FS and moved to Dubai a few years ago. He is now in India, in response to a summons from ED which has told Dalal not to leave the country.

The property in Babulnath's Aurum Platz, which Dalal can neither sell nor gift nor mortgage, has come under the purview of investigation conducted by ED under the Prevention of Money Laundering Act, 2002.

The funds floated by IL&FS Investment Managers, which Dalal headed, had financed several real estate developers in India. Dalal's finances and association with some of the developers may be looked into in the course of the probe by ED.

Responding to ET's query, Zulfiqar Memon, managing director of MZM Legal which represents Dalal, said: "Mr Dalal has been questioned by SFIO (Serious Fraud Investigation Office) and ED, and in the spirit of a fair and honest investigation, he has been co-operating with them to the best of his ability. He will continue to do so until he is no more required for investigation by the authorities."

While ED is investigating on the basis of an FIR filed with the Economic Offences Wing (Delhi), the

## Under Lens

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ministry of corporate affairs had last September directed SFIO to investigate into the affairs of IL&FS and its subsidiaries.

Among other things, SFIO officials may try to find out from Dalal about the circumstances under which loans given by IL&FS Financial Services (IFIN), the non-banking finance arm of IL&FS, and group entities to IL&FS Employee Welfare Trust (EWT). The transactions and functioning of EWT has come under the glare of SFIO.

"Dalal was close to the erstwhile directors in the IL&FS group. He is one of the critical persons in the investigation and is being probed in IFIN matters," said an SFIO official.

"One part of the probe relates to looking into alleged falsification of balance-sheets, round-tripping or ever-greening of loans to hide NPAs and keep on borrowing, and to what extent the auditors were aware of this entire game. The other aspect of the probe would be whether senior officials who ran the group diverted money to gain personally. That would be proceeds of crime

and investigated under PMLA," said another person aware of the ongoing investigations. Two more persons working with one of the auditors were in Delhi SFIO office on Wednesday for interrogation.

The transactions went on like this: IFIN would lend to a group company – say, ITNL – and when the latter was

**Dalal can't dispose of, gift or even mortgage his property in Babulnath's Aurum Platz**

unable to repay the loan, IFIN would lend to another entity, probably outside the group, which would lend to ITNL; ITNL would then use the funds to service the loan from IFIN. The auditors in their defense have said that since they were not auditing the books of all companies in the transaction chain, they cannot be held responsible for ever-greening of loans.

"This is precisely why SFIO has collected all emails and internal correspondence from auditors to figure out whether they knew anything about this," said the person.

The IL&FS EWT bought shares issued by IL&FS companies with loans obtained from some of the group companies like IFIN.

Some of these shares were sold to investors such as LIC and Orix at a premium and the gains were distributed among all employees – but disproportionately in favour of top officials.

Some of the amendments to EWT and the way these were executed have drawn the SFIO's attention. One of the amendments was carried out without the approval of IL&FS, the settlor of the trust and the members of the committee of directors of IL&FS were also trustees of EWT at that point, leading to a conflict of interest.

In March 2011, the board of trustees was reconstituted and top group officials like Vibhav Kapoor, Ram Chand and RC Bawa were made permanent trustees up to March 2016. However, they continued to act as trustees till October 2018. "EWT was a discretionary trust, so it had certain liberties. But there were clear conflicts of interest," said a source.