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Wed, 15 May-19; Economic Times - Mumbai; Size : 205 sq.cm.;
Circulation:227412; Page : 1

IL&FS may Ask Ex-Directors to Pay up

Past Tense

IL&FS
considering
clawback of
bonus and
benefits from
directors

Many directors
already under
SFO scanner



Board has
initiated
forensic
audit of
group companies

Probe agencies
expanding
investigation
to
independent
directors

Bank accounts
of some
directors
already frozen,
two in custody



Board may invoke
clawback option for
bonus and benefits,
file charges for fraud

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Mumbai: The board of troubled Infrastructure Leasing & Financial Services is evaluating the option of calling back all bonuses and benefits paid to former directors of three group companies for the five-year period from 2012-13 to 2017-18 and plans to file charges against them for accounting fraud. IL&FS expects to reco-

ver over ₹10 crore from each director and as much as ₹2 crore from each independent director per year, people familiar with the plans said.

However, the step is contingent on the restatement of accounts of the three companies, which the Supreme

Court has stayed. The move, known as clawback, would be invoked under Section 199 of the Companies Act, which

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RCAP, DHFL
PAYMENTS**

➤➤ PAGE 9

allows a company that's required to restate its financial statements due to fraud or non-compliance with the law to recall any excess remuneration, including stock options, given to directors for the period reviewed.

Would Include All Directors ➤➤ 16

Would Include All Directors

►► From Page 1

The option is being evaluated for IL&FS, IL&FS Transportation Networks India Ltd. (ITNL) and IL&FS Financial Service Limited (IFIN). It would include all directors, including nominees and independent directors.

Among the former directors are Hari Sankaran, former vice-chairman and MD of IL&FS, and Arun Kumar Saha, former joint MD and CEO of IL&FS. The former independent directors include RC Bhargava and SB Mathur.

IL&FS declined to comment.

The infrastructure financier has accumulated over ₹91,000 crore debt and defaulted on some payment obligations. Probes by agencies have uncovered alleged instances of financial mismanagement and fraudulent transactions.

The Serious Fraud Investigation Office had cited in a court application in April misdemeanours by former IL&FS board members that amounted to misuse of public money, including funding borrowers to prevent their loans from turning bad, getting personal favours in exchange for sanctioning loans and enriching themselves with hefty salaries and perks.

The clawback option can be invoked only after the company completes the reopening and recasting of its books of accounts, as proposed by the Ministry of Corporate Affairs and approved by National Company Law Tribunal.

The NCLT had approved the re-opening of the books of IL&FS and its subsidiaries for the five-year period under Section 130 of the Companies Act.

The Supreme Court stayed the reopening and recasting of the financials on a petition by Sankaran because the NCLAT had ordered the reopening of the books ex parte. IL&FS has approached the vacation bench of SC with a plea for the order to be vacated so that the accounts can be restated.