

Lens Now on Irregular Funds Movement at ITNL

Charge sheet says 8 entities lent to without due diligence or verification of actual funds needs, and without adequate security cover

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Mumbai: The Serious Fraud Investigation Office (SFIO) has begun investigating IL&FS Transportation Networks (ITNL), which was charge-sheeted last month for irregularities in receiving funds from group companies and borrowers.

"In order to bypass the RBI directions on concentration of credit in a single company or group of borrowers, in the case of ITNL and its subsidiaries/SPVs, they devised an illegal strategy for IFIN to lend the money to its group companies," said the charge sheet. "These entities thereafter lent to ITNL and its SPVs. The lending was carried out to eight entities without any due diligence or verification of actual requirement of funds, and without ensuring adequate

security cover for these entities," the charge sheet said.

The agency claims many instances where the purpose mentioned for borrowing funds was 'very vague' and general. "In cases like Rapid Metro Railway and Sabarmati Capital Two, project's implementing entities could not justify requirement of funds as these entities were already into implementation phase, after financial closure, and had not even provided lender's independent engineer (LIE) reports for requirement of funds beyond financial closure amounts," said the charge sheet.

On the loans given to borrowers which were then routed to ITNL, the charge sheet said, "Books of accounts of 14 existing borrowers or contractors of IFIN or ITNL such as Beigh Construction, GHV group, New India Structures, Avance Tech-



'Illegal Strategy'

IL&FS Transportation Networks bypassed RBI norms on concentration of credit

Purpose mentioned for borrowing of funds was 'very vague' and general

Books of 14 borrowers/contractors of IFIN/ITNL used for onward lending to ITNL/arms

nologies and Empower India were used for onward lending to ITNL or its subsidiaries/SPVs. Investigation revealed that all loans to these entities were given on the basis of letters of comfort of ITNL and no se-

curity was taken from these borrowing entities/intermediaries".

The agency said this was done to bypass RBI directions on group lending. To support its claim that the loans given to borrowers were actual-

ly meant for ITNL, the SFIO has attached statements of many directors of these firms who have said they raised request for loan only on "request" of IFIN's erstwhile directors, and without any real requirement.

Rampal Soni, chairman, Sangam Group, said, "A loan of ₹50 crore was taken from IFIN in January 2017 for repayment of group liabilities of banks. It was lent from SFTCL to Kalyan Sangam Infratech. In March, 2018, IFIN (Subash Chandra and Amit Shah) approached company CFO LL Soni to give them a loan of ₹250 crore for transactions and asked them to transfer it to ITNL. Funds were transferred into Sangam Business (₹150 crore) and Kalyan Sangam (₹100 crore). As per instructions of Subash Chandra & Amit Shah, funds were again transferred to ITNL on the same day.