

Grant Thornton Alleges Lapses in IL&FS' Deals with Allied Fin Services

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Mumbai: Grant Thornton, which has conducted a forensic audit of IL&FS Securities Services Ltd (ISSL), has found what it alleged multiple operational lapses and high-value trade anomalies in the company's transactions with a client, Allied Financial Services Pvt Ltd (AFSPL).

In an interim report on the company that provides capital markets services, Grant Thornton said it identified 65 instances where intraday benefits totalling ₹2,417.87 crore were extended to AFSPL, thereby increasing the risk for ISSL. Citing purported text messages among ISSL executives, the auditor said those indicated incorrect data were provided to exchange. ET has seen the interim report, which has been submitted to the National Company Law Tribunal. ISSL, a subsidiary of Infrastructure Leasing & Financial Services (IL&FS), provided professional clearing services to AFSPL as per an agreement entered into between the two in 2007.

The government-appointed IL&FS board has lodged a complaint with the Mumbai Police against AFSPL and some others. Police officials said they may forward the complaint to the federal agencies that are already probing alleged irregularities at IL&FS and its group companies.

Referring to the deal with AFSPL, Grant Thornton said: "It appears that such benefits were agreed by the then business development head ... the head of futu-

res and options (FNO) initially highlighted the risk, but he ultimately appears to agree with the strategy."

ISSL had sent disassociation notice to AFSPL in January this year. However, the forensic audit has allegedly found email exchanges that showed ISSL had opened its trading terminal for AFSPL to let the client roll over open position which were expiring that month. "Further, it appears that without adequate col-

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lateral in place, AFSPL was allowed to trade by ISSL," it alleged.

The report identified 27 instances where securities worth ₹243 crore were withdrawn and ₹242 crore were bought back by AFSPL on the same day. The auditor also found four alleged transactions worth ₹735 crore where AFSPL had withdrawn securities on a weekend. "There were (also) half a dozen instances where securities worth ₹101 crore were withdrawn and bought back in the same week," the report said.

"During our review of the email conversation between the employees of ISSL, it was noted that AFSPL was potentially allowed to execute trade on the stock exchange against the collateral which were not deployable at the exchange. Further AFSPL was also provided with intraday benefit for trading without receiving any collateral," it alleged.