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## **Former IFIN Directors Say Board Didn't Inform Them of Key Decisions**

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IN RESPONSE TO SHOW CAUSE NOTICES

# Former IFIN Directors Say They Weren't Told of Board's Decisions

Restructured board says former executives had failed to discharge duties and raise red flags

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**Mumbai:** At least two directors of the erstwhile IL&FS Financial Service (IFIN) have said they were kept out of the loop on major decisions taken by their board in their response to show cause notices (SCN) issued by the new board of Infrastructure Leasing and Financial Services (IL&FS). IFIN is a subsidiary of IL&FS.

However, the newly constituted board is of the view that these directors failed in their duties of keep a tab on the functioning of the firms and failed to raise red flags, sources in the know told ET.

Neera Saggi, who was director between 2015 and July 2016, and Renu Challu, who was director in 2018, have both claimed they were innocent of all decisions of the board.

"Both have replied to the SCN claiming that the decision was taken by Ravi Parthasarathy, Hari Sankaran and RC Bawa at the helm and that they were mere signatories. We aren't buying their excuses as the credit administration report is presented before the board quarterly and even if they were with the company for a year or so, they failed to raise red flags," said a director of the current board, who requested anonymity.

"Once the report is presented, there is detailed discussion on issues like fresh loans sanctioned, recovery position, default by borrowers and the action taken till then, how the company is dealing with NPAs and loans written off," said the board member.

Many irregularities have been found like loans sanctioned despite negative or limited spread for companies in financial distress. In certain cases loans were approved even after negative assessments by the infrastructure financier's risk team. These members despite being aware of these irregularities did not question the board for failing to the curb crisis, the above cited official said.

Meanwhile, the new board has given another week to former board members like Parthasarathy, Sankaran and Bawa, who have sought documents.

"To every director, we have cited the exact alleged irregularities committed by them.

The directors have sought documents pertaining to loans sanctioned by them. We have sent them on pen drives, which would be provided to them. An additional week's time has been given to for their replies," said another official in know who spoke to ET on condition of anonymity.

These sources add that of the 14 directors who were served SCNs, only Manu Kochhar, who was the director between 2014 and March 2015, wasn't in the position to reply as he wasn't in the country. He too has been given a week's time to reply.

In the SCN sent earlier in February, the board asked why criminal action shouldn't be initiated against them when "... you are prima facie responsible for causing financial stress and losses to the company by acting in mala fide manner".

The SCN to Parthasarathy demands an explanation on why a loan of ₹2,400 crore was sanctioned to 18 entities despite the negative risk assessment group "...sanctioning loan of ₹1,922 crore to 16 entities... without recording any cogent justification".

It imputed that the action was culpable for facilitating "money laundering by diverting loan amount to the individual account of the director of the borrower company ...for extended loan for criminal intent of falsification of repayment by a number of borrowers", the four-page SCN said.

Last month, in its 166-page interim report submitted to the current board, audit firm Grant Thornton (GT) India LLP detailed 10 major anomalies ranging from conflict of interest, inadequate risk assessment and deviation from banking norms

The audit pointed out that over ₹6,000-crore transactions undertaken by IL&FS Financial Service Ltd (IFIN) violated banking governance norms.

About ₹2,270 crore, lent to borrowers of IFIN with the knowledge of the erstwhile board, was utilised by certain IL&FS group companies. Of this, ₹1,150 crore was infused into IL&FS Transportation Network Ltd (ITNL). The IL&FS crisis first came to light in July 2018, when the company's road arm was facing difficulty in making repayments due on bonds. Both IFIN and ITNL are being probed by the Enforcement Directorate for money laundering.

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