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SFIO Arrests Former IL&FS Vice Chairman Hari Sankaran

Mumbai court grants SFIO custody till April 4

What SFIO Says

Sankaran arrested on grounds of abusing powers in IL&FS Financial Services

Ex-chief accused of fraudulent conduct, and granting loans to entities that were not creditworthy or had been declared NPAs

Debt Trap

₹17,000 crore: IL&FS Financial Services' total borrowings via debt instruments and bank loans

Investors in Debt Paper: PFs, pension funds, gratuity funds, MFs, public and private sector banks



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Mumbai: The Serious Fraud Investigation Office made its first big arrest in the Infrastructure Leasing & Financial Services (IL&FS) case by taking former vice chairman Hari Sankaran into custody.

A special sessions court in Mumbai remanded Sankaran to SFIO custody till Thursday.

“Sankaran has been arrested in connection with the ongoing investigations into the affairs of IL&FS and its group entities. He

has been arrested on the grounds of abusing his powers in IL&FS Financial Services Ltd (IFIN),” SFIO said in a press release on Monday.

Sankaran was part of the erstwhile board that granted loans to undeserving or ineligible entities, according to the investigative wing of the ministry of corporate affairs that is probing IL&FS under provisions of the Companies Act. The IL&FS board was reconstituted in October after it defaulted on loan payments.

Show-cause Notice ►► 10

Sankaran had Received Show-cause Notice

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“He caused wrongful loss to the company and its creditors,” SFIO said.

It said IFIN had borrowings of more than Rs 17,000 crore from debt instruments and bank loans. Provident funds, pension funds, gratuity funds, mutual funds, public and private sector banks were among those that invested in these debt instruments, the release added.

Sankaran was confronted with the audit report prepared by Grant Thornton, but he allegedly evaded all the questions, said people aware of the matter. He blamed other board members for granting the loans.

Since there was a deliberate act of omission and concealment of facts, which amount to crimina-

lity under the provisions of the Companies Act, he has been arrested, said an official who spoke to ET requesting anonymity.

Last month, the IL&FS board had sent a show-cause notice to Sankaran, dwelling specifically on the loans granted by IFIN. The SFIO, too, sought Sankaran’s clarification on this matter but he failed to give a satisfactory reply, people aware of the matter said.

“It has been revealed that for 14% of the loans outstanding to external parties as on September 30, 2018, the collaterals are not secured and for 21% of the loan outstanding to the external parties as on September 30, 2018, the security charge on the collaterals are not adequate. Some borrowers with outstanding loan amounts of over Rs 100 crore have be-

come NPAs,” read the show-cause notice served to Sankaran, accessed by ET.

The borrowers include Gujarat Dwarka Portwest (Rs 370 crore), SKIL Infrastructure (Rs 249 crore), Dev Rishab Real Estate (Rs 117 crore), ABG International (Rs 261 crore) and Pralay Infrastructure (Rs 180 crore).

Sankaran was asked to explain loans sanctioned to at least 13 entities by IFIN, which had Rs 1,185.86 crore outstanding as on September 30, 2018.

The Grant Thornton report detailed 29 instances where loans disbursed to borrowers were apparently used by their group companies to repay existing debt obligations with IFIN.

SKIL’s Gujarat-Dwarka Portwest borrowed Rs 253 crore in 2015-16 and in the same period

SKIL Infrastructure repaid Rs 230 crore to IFIN.

Similarly, IFIN disbursed Rs 365 crore to Flemingo group between 2017 and 2019 and during this period, its group companies repaid Rs 407 crore to IFIN. Also in 2017-18, India Cements’ Chennai Super Kings borrowed Rs 65 crore from IFIN and in the same period, EWS Finance & Investment paid Rs 40 crore to IFIN, according to the report.

Other than the SFIO, the enforcement directorate is probing 19 companies and some former board members for alleged money laundering. Cases under the Prevention of Money Laundering Act have been registered against IL&FS Rail, IL&FS Transportation Networks, former IL&FS chairman Ravi Parthasarathy, and Sankaran.
