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IL&FS moves NCLT to recover Rs 185.87 crore from former directors

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IN A significant move, Infrastructure Leasing & Financial Services (IL&FS) has approached the National Company Law Tribunal (NCLT), Mumbai, seeking directions to recover Rs 185.87 crore in excess managerial remuneration from its former directors of IL&FS, IL&FS Financial Services (IFIN) and IL&FS Transportation Networks (ITNL).

The recovery exercise yielded a poor response, as per the application. The three companies had identified Rs 187.01 crore as refundable, but recovered only Rs 91.08 lakh, including amounts paid by two independent directors after accounting for taxes. This represents less than 0.5% of total liability. No refund has been made by any of the former managerial personnel, it stated. The company has named 23 former directors and managerial personnel in its application, including former IL&FS Chair Ravi Parthasarathy, former Vice-chairman and MD Hari Sankaran, former Joint MD Arun Kumar Saha, and several former independent directors.

The list also includes former IFIN and ITNL executives. Parthasarathy passed away in April 2022. When IL&FS collapsed in 2018, it had a fund-based debt burden of approximately Rs 94,215 crore, and the government-appointed board took charge in October 2018. The new board had said it resolved approximately Rs 50,387 crore of group debt as of June 30, 2026.

The latest application, dated October 28, 2026 has sought a direction from NCLT declaring identified payments as excess remuneration and directing former directors to refund the amounts. It also sought an interim direction requiring them to deposit disputed sums in separate interest-bearing fixed deposit accounts pending disposal of the application.

The clawback relates to remuneration paid between 2013-14 and 2017-18, when the three companies reported profits in their original financial statements. But a forensic exercise to reopen and recast their accounts changed the picture, turning reported profits into losses. NCLT ordered the recasting in January 2019 after the government alleged that the companies' financial statements did not reflect their true financial position. The exercise covered 5 financial years (FY14 to FY18). It was undertaken by appointed chartered accountancy firms and auditors. NCLT took recast financial statements on record in June 2024.

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