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ITNL bled SPVs for profits, saw ₹8,077cr cost overrun

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Mumbai: The report on the forensic audit of IL&FS Transportation Networks (ITNL) and its special purpose vehicles (SPVs) by Grant Thornton reveals that the road projects had to face a Rs 8,077-crore cost overrun. This was largely due to funds being taken out by ITNL.

The group's transport arm took out the money from the road projects by charging excess project development and project management fees (PDF & PMF) and using fee money to make equity contributions to these SPVs. ITNL also assigned loans it had advanced to these projects to other lenders at higher rates.

The maximum irregularities in the failed IL&FS Group were seen in ITNL which borrowed from other group companies and also engaged in evergreening to hide defaults. The report highlights several instances of circular transactions where the provider of funds is the ultimate recipient as well. The trouble from IL&FS spread to the parent with the holding company disbursing multiple loans to ITNL. The supplementary forensic report titled 'Project Icarus' was finalised by Grant Thornton on February 16 and released to the stock exchanges by ITNL on Friday.

FRESH REPORT

According to the report, IL&FS initially advanced loans at 10% to the SPVs. These loans were later assigned to other lenders. The assignment in effect meant that SPVs had borrowed funds from the new lenders and repaid the loans taken from ITNL. The SPVs had paid an interest rate of 14-16% on loans assigned by ITNL against the 10-12% charged by ITNL earlier. The interest was to be borne by the SPVs, resulting in a cost overrun of Rs 3,433 crore.

In addition, IL&FS hiked its PDF/PMF, taking out an additional Rs 2,281 crore through this route. Cost overrun due to construction cost was another Rs 3,433 crore.

The report notes that in six of the road SPVs, the PDF/PMF charges are more than 100% of the total equity and subordinated debt invested by ITNL.